



## Rating Rationale

Agro Leader Pipes & Products Pvt Ltd

15 Feb 2018

**Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹. 5.00 Crores of Agro Leader Pipes & Products Pvt Ltd.**

### Particulars

| Facility               | Amount (₹ Crs) |             | Tenure                      | Rating*  |   |
|------------------------|----------------|-------------|-----------------------------|--|---|
|                        | Previous       | Present     |                             | Previous (March, 2016)   | Present   |
| Fund based Cash Credit | 5.00           | 5.00        | Long Term                   | BWR B+<br>(Pronounced as BWR Single B Plus )<br>Outlook:Stable | BWR B+<br>(Pronounced as BWR Single B Plus )<br>Outlook: Stable<br>Reaffirmed |
| Term Loan              | 0.45           | 0.00        |                             |  |   |
| <b>Total</b>           | <b>5.45</b>    | <b>5.00</b> | <b>INR Five Crores Only</b> |  |   |

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings  
Complete details of Bank facilities is provided in Annexure-I

### Ratings:Reaffirmed

#### Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has primarily relied upon the audited financials up-to FY17 and publicly available information and the information/clarifications provided by the company's management.

The rating draws strength from the experience of the promoters and improved net & operating profit margins. However, the ratings are constrained by low scale of operations, decline revenue in FY17, low net-worth, high gearing ratio, elongated conversion cycle, working capital intensive nature of operations and highly competitive nature of industry.



### **Description of Key Rating Drivers**

- **Credit Strengths:** Few promoters of the company has more than a decade of experience and operating & net profit margins improved from 2.91% & 1.04% in FY16 to 4.68% & 1.39% in FY17.
- **Credit Risks:** Low net-worth reported at 2.04 crores during FY17, high gearing reported at debt:Equity of 3.16 times during FY17, revenue declined from Rs. 29.77 Crs in FY16 to Rs.22.75 Crores in FY17 and conversion cycle reported at 113 days in FY17.

Going forward, the ability of the company to increase its scale of operations to improve profitability margins, improve the capital structure and efficiently manage its working capital will be the key rating sensitivities.

### **Analytical Approach**

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

### **Rating Outlook: Stable**

BWR believes the **Agro Leader Pipes & Products Pvt Ltd** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

### **About the Company**

The company was incorporated in the year 2011, located at Khargone, Madhya Pradesh. The company is engaged in manufacturing of plastic pipes(drip pipes) and other agricultural products which are used for irrigation purpose. The company manufactures plastic pipes or drip lines of 12mm and 16mm diameter. The company trades screen filters, fertilizer tank assembly, venturi assembly and disc filter which are procured from the third party manufacturers. The manufactured products are sold under brand name 'Agro Leader' and 'Agro Leader Gold'.

### **Company Financial Performance**

The company reported a net revenue from operations of Rs.22.75 Crores in FY17 and Rs.29.77 Crores in FY16. Operating and net profit margins reported at 4.68% and 1.39% in FY17 as



against 2.91% and 1.04% in FY16. Tangible net-worth of the company is stood at 2.04 Crs in FY17. The company is reported to have debt equity of 3.16X in FY17.

### Rating History for the last three years

| Instrument /Facility   | Current Rating (2018) |                |  | Rating History |           |           |
|------------------------|-----------------------|----------------|--|----------------|-----------|-----------|
|                        | Type                  | Amount (₹ Crs) | Rating   | 21/6/2017      | 21/3/2016 | 14/5/2014 |
| Fund Based Cash Credit | Long Term             | 5.00           | BWR B+<br>Reaffirmation<br>Outlook -<br>Stable | Not Reviewed   | BWR B+    | BWR B     |
| <b>Total</b>           |                       | <b>5.00</b>    | <b>₹ Five Crores Only</b>                      |                |           |           |

Status of non cooperation with Previous CRA : Non Applicable

Any other information: Non Applicable

### Key Financial Indicators

| Key Parameters                | Units  | 2017    | 2016    |
|-------------------------------|--------|---------|---------|
| Result Type                   |        | Audited | Audited |
| Operating Revenue             | Crores | 22.75   | 29.77   |
| EBITDA                        | Crores | 1.07    | 0.87    |
| PAT                           | Crores | 0.32    | 0.31    |
| Tangible Net worth            | Crores | 2.04    | 1.72    |
| Total Debt/Tangible Net worth | Times  | 3.16    | 4.15    |
| Current Ratio                 | Times  | 1.41    | 1.22    |



**Hyperlink/Reference to applicable Criteria**

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)

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**Note on complexity levels of the rated instrument:**

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).

**About Brickwork Ratings**

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 10,00,000 Cr. In addition, BWR has rated over 6300 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹24,440 Cr have been rated.



#### **DISCLAIMER**

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.