

Rating Rationale

Brickwork Ratings assigns ‘BWR B’ for the Bank Loan Facilities aggregating ₹ 5.85 Cr of Agro Leader Pipes & Products Pvt. Ltd.

Brickwork Ratings has assigned the following **Rating¹** for the Bank Loan facilities of Agro Leader Pipes & Products Pvt. Ltd (“ALPPPL” or “the Company”).

Facility	Limit (₹ Cr)	Tenure	Rating
Fund Based Cash Credit	5.00	Long Term	BWR B (Outlook – Stable)
Fund Based Term Loan	0.85		
Total	5.85	INR Five Crores & Eighty Five Lakhs only	

BWR has essentially relied upon the audited financial results up to FY13, projections up to FY15, and information and clarifications provided by the management of the company.

The rating factors, inter alia, promoters’ business exposure in various industries, government subsidy schemes that are available for farmers to purchase drip irrigation system and positive outlook in the industry. However, the rating is constrained by limited track record of the company, low profit margins, low net worth, and shortfall in achieving projections and delay in collecting subsidy receivables from government.

Background

Agro Leader Pipes & Products Pvt Ltd was established as private limited company in the year 2011. The company is located at Khargone, Madhya Pradesh. ALPPPL manufactures and markets plastic pipes (drip lines) and other agricultural products, which are used for irrigation in agriculture. Company manufactures plastic pipes or drip lines of 12MM and 16 mm Demeter for the drip irrigation assembly. The company has manufacturing capacity of 60000metres/day. Capacity utilization is about 33%. Other products of the company include drippers, screen filters, fertilizer tank assembly, venturi assembly and disc filter. These products are procured from third party manufacturers.

¹ Please refer to www.brickworkratings.com for definition of the Ratings

The drip irrigation products are sold under subsidy scheme of central and state governments in Madhya Pradesh and without subsidy to dealers in Maharashtra and Rajasthan. Under subsidy scheme, the company has to sell drip lines along with other products for a drip irrigation assembly. ALPPPL sells its ISI certified products and non-certified products under brand names ‘Agro Leader’ and ‘Agro Leader Gold’, respectively.

Management

Anoop Agrawal is the Managing Director of the business. Apart from him, Pankaj Agrawal is the only director involved in the management of ALPPPL directly. Pankaj Agarwal looks after the finance & accounting part of the business. Apart from these two directors, the company has other directors, who are relatives of MD and are involved in various other family businesses.

Financial Performances

ALPPPL started its commercial operations only in FY13. The company’s revenue was ₹2.83 Cr in FY13. Net profit margin of the company in FY13 is at 0.68% and operating Profit margin is 16.64%. Tangible net worth of the company was ₹1.25 Cr in FY13.

The company has informed that, as per provisional figures, they have registered revenues of ₹4.41 Cr in FY14.

Rating Outlook

Going forward, ability of the Company to achieve its sales projections, improve profitability margins and strengthening its capital structure will be key rating sensitivities.

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