Rating Rationale

Agroking Pesticides Private Limited **12 Feb 2019**

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹ 7.36 Crores of Agroking Pesticides Private Limited.

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based Cash Credit Limit Term Loan (O.S)	**3.00** **2.86**	**Long Term**	**BWR B+ (Pronounced as BWR Single B Plus)** **Outlook: Stable**
Non Fund Based Bank Guarantee Import L.C	**0.50** **1.00**	**Short Term**	**BWR A4 (Pronounced as BWR Single A Four)**
Total	**Rs 7.36 Crores (INR Seven Crores Thirty Six Lakhs Rupees Only)**		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rating Assigned:

BWR has assigned Long Term Rating of BWR B+ *(Outlook: Stable) and Short Term Rating of BWR A4* for the bank loan facilities of AgroKing Pesticides Private Limited. ('the Company')

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the Company's audited financial results upto FY18, Projected financials upto FY20 and publicly available information and information/clarifications provided by the company's management.

The rating draws strength from the experienced promoters in manufacturing of crop protection products from last twenty years, satisfactory current ratio, moderate operating profitability margins, and Moderate Interest Service Coverage Ratio. However, the rating is constrained by low scale of operations, high conversion cycle, and high gearing level. Going forward, ability of the company to improve its scale of operations, improve its working capital cycle, and gearing level of the company would be the key rating sensitivities.

Description of Key Rating Drivers

Credit Strengths:

1. **Long Experience of the Promoters in Pesticides Business:** The Promoter of the Company has has an experience of more than twenty years in the manufacturing of products for crop protection and it helps them to maintain a better relation with their customers and suppliers. The company was established since 1991 and has seen many complete business cycles.
2. **Satisfactory Current Ratio :** The company has maintain their current ratio at 1.46 Times in FY18.
3. **Improvement in Operating Profitability Margins :** The Company Operating Profitability Margins has improved from 1.64% in FY17 to 7.61% in FY18 due to increase in their revenues and decline in their operating expenses as compared to previous year. Further the company has shown the improved substantial growth with Projected Operating Profitability Margins of 10.45% in FY19.
4. **Moderate Debt Service Indicators :** The Company has moderate Interest Service Coverage Ratio of 1.40 Times in FY18 which is further projected to improve to 2.09 Times in FY19 whereas Debt Service Coverage Ratio has been 0.89 Times in FY18 which is also proposed to improve to 1.06 Times in FY19.

Credit Weakness:

1. **Low Scale of Operations :** The Company has low scale of operations with revenues of Rs 10.68 crores and Low Tangible Net worth of Rs 2.25 crores in FY18. The Company has achieved revenues of Rs 13.00 crores till January against the projections of Rs 15.00 crores in FY19.

2. **High Conversion Cycle :** The company has high conversion cycle of 181 days due to high days receivables of 253 days and High days payable of 134 days in FY18.
3. **High Gearing Level :** The company has high gearing level with TOL/TNW of 4.35 Times in FY18. It is Projected to improve to 3.17 Times in FY19 (Projected).

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).

Support from Holding/Subsidiary Company:

The Company has no associate concerns.

Liquidity
The Company current investments include FDR of Union Bank of India of Rs 0.08 crores, and Cash & Bank Balances of Rs 0.24 crores in FY18. Current ratio was at 1.46 times in FY18. Average working capital utilization for the six months period (May 2018 to Oct 2018) is 60-70%.The conversion cycle has been 181 days in FY18 due to high days receivables. The Company has current maturities of long term debt of Rs 0.74 crores in FY19 and has weak liquidity profile with net cash accruals of Rs 0.21 crores in FY18. The Company ISCR at 1.40 times and Debt Service Coverage Ratio of 0.89 Times as on March 31 2018.

Rating Outlook: *Stable*

BWR believes the **Agroking Pesticides Private Limited** 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

Agroking Pesticides Private Limited was incorporated on 01.11.1991. The company is engaged in business of manufacturing of crop protection products like pesticides, insecticides, fungicides and herbicides. The plant of the company is located at Jaipur. The company is currently managed by Mr Mangilal Danga along with his sons. The company is registered under highest category 'A" with regard to its highest quality of pesticides given by Department of Agriculture, Rajasthan.

Company Financial Performance

Total operating income (TOI) of the Company has improved from Rs 5.66 Cr in FY17 to Rs 10.32 Cr. in FY18. PAT has declined from Rs 0.04 Cr in FY17 to Rs. 0.02 Cr in FY18.

Key Financial Indicators

Key Parameters	Units	FY18 (A)	FY17 (A)
Result Type			
Operating Revenue	₹ Cr	10.32	5.66
EBITDA	₹ Cr	0.79	0.09
PAT	₹ Cr	0.02	0.04
Tangible Net worth	₹ Cr	2.25	2.22
TOL:TNW	Times	4.35	2.99
Current Ratio	Times	1.46	2.14

Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2019)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2018	2017	2016
	Fund Based Cash Credit Limit Term Loan (O.S)	Long Term	3.00 2.86	**BWR B+** (Pronounced as BWR Single B Plus) Outlook: Stable	**NA**	**NA**	**NA**
	Non Fund Based Bank Guarantee Import L.C	Short Term	0.50 1.00	**BWR A4** (Pronounced as BWR Single A Four)	**NA**	**NA**	**NA**
	Total		**7.36**	**Seven Crores Thirty Six Lakhs ₹ Only**			

Status of non-cooperation with previous CRA (if applicable)- CARE BB-/A4 (Issuer not Cooperating as on 02/01/2018)

Any other information : Nil

Hyperlink/Reference to applicable Criteria

- **General Criteria**
- **Approach to Financial Ratios**
- **Manufacturing Companies**
- **Short Term Debt**

For any other criteria obtain hyperlinks from website

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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 Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, 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 leading public sector 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, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

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