



Rating Rationale

Agrownation India Ventures Pvt Ltd (Erstwhile Prayag Cereals Pvt. Ltd.)

10 Jan 2019

Brickwork Ratings upgrades the ratings for the Bank Loan Facilities of ₹. 15.82 Crores of Agrownation India Ventures Pvt Ltd (Erstwhile Prayag Cereals Pvt. Ltd.).

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (April, 2018)	Present
Fund based: CC Term Loan	9.50 7.14	9.50 6.32	Long Term	BWR BB- (Pronounced as BWR Double B Minus) Outlook: (Stable)	BWR BB (Pronounced as BWR Double B) Outlook: (Stable) (Upgradation)
Total	16.64	15.82	INR Fifteen Crores Eighty Two Lakhs Only		

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

Ratings: Upgraded

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon Agrownation India Ventures Pvt Ltd (AIVPL) Audited Financial Statements from FY16 to FY18 for ease in understanding and comparison. AIVPL has also provided the projected financial statements for FY19 & FY20, publicly available information and information / clarification provided by the AIVP management.

The ratings assigned to the bank facilities of AIVPL draws strength from extensive experience of the promoters, availability of raw material, modest scale of operations, increase in TNW, increase in profitability.

The ratings are however constrained by competition in the industry, stretched gearing, moderate coverage ratios, weak liquidity.

Going forward the firm's ability to improve the scale of operations, improve and maintain the profitability, the debt servicing capability & liquidity will be the key rating sensitivities.



Description of Key Rating Drivers

- **Credit Strengths:**

Extensive experience of the promoters: One of the promoters Mr R.K Rathi has an industry experience of 35 years, whereas Mr. Ankit Rathi has completed engineering and worked for several Indian & foreign multinationals.

Availability of raw material: As India is one among the top paddy growing and rice manufacturing country in the world, there are abundant flow of raw material i.e paddy.

Modest scale of operations: Modest scale of operations with the TOI increased to Rs 86.93 Cr in FY18 from Rs 44.72 Cr in Fy17, despite limited track record of the company as it has started its commercial operations in July 2016.

Increase in TNW: The TNW has increased to Rs 7.80 Cr in FY18 from Rs 4.46 Cr in FY17 as a result of retention of profits in business whereas the TNW (analysed)has increased to Rs 13.45 Cr in FY18 from Rs 12.38 Cr in Fy17.

Increase in profitability: Increase in profitability with the NPM at 1.54% in FY18 as compared to 1.03% in FY17.

- **Credit Risks:**

Competition in the industry: Intense competition from organised as well as unorganised players in the market.

Stretched gearing: The gearing is stretched with the total debt/ TNW standing at 6.45x in FY18 as compared to 7.58x in FY17 whereas the total debt/ TNW analysed stands at 3.32x in FY18 as compared to 3.48x in FY17 which is mainly because of the increase in the total debt. The TOL/TNW stands weak at 5.35x in FY18 as compared to 6.90x in FY17.

Moderate coverage ratios: Moderate coverage ratios with the ISCR & DSCR increasing to 1.52x & 1.11x respectively in FY18 as compared to 1.27x & 0.95x respectively in FY17.

Weak liquidity: Weak liquidity with the current ratios standing at 1.18x in Fy18 as compared to 1.16x in Fy17.



Liquidity Profile: AIVPL's liquidity profile is driven by weak current ratio of 1.18x and overall interest coverage of 1.52x. The average CC utilization for the last six months stood at 89%.

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 **Agrownation India Ventures Pvt Ltd (Erstwhile Prayag Cereals 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

Agrownation India ventures Pvt Ltd (Erstwhile Prayag Cereals Pvt Ltd) came into existence on 23rd May 2014 in Bhopal, Madhya Pradesh and started its operations on 25 July, 2016. The company has a rice mill in Bhopal, M.P and sells Basmati rice under the brand name "Happy Farm". The company is promoted by Mr Ram Kumar Rathi & Ankit Rathi. AIVPL had already been rated by BWR in March 2018 as BWR BB- with a Stable Outlook and has now approached BWR for a midterm review.

Company Financial Performance

During FY17, the total operating income of the company stood at Rs.44.72 crore (vis-à-vis Rs.86.93 crore in FY18), whereas the PAT during the same year stood at Rs.0.46 crore (vis-à-vis Rs 1.34 crore in FY18). DSCR stood at 0.95 Times in FY17 as compared to 1.11 Times in FY18.

Rating History for the last three years

S.No	Facility	Current Rating			Rating History		
		Type	Amount (₹ Crs)	Rating	02 April, 2018	March, 2017	2016
	Fund Based: CC Term Loan	Long Term	9.50 6.32	BWR BB (Pronounced as BWR Double B) Outlook: (Stable)	BWR BB- (Pronounced as BWR Double B Minus) Outlook: Stable	BWR B (Pronounced as BWR B) Outlook: Stable	NA
	Total		15.82	₹ Fifteen Crores & Eighty Two Lakhs Only			

Status of non-cooperation with previous CRA (if applicable)- NA

Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		Audited	Audited
Operating Revenue	₹ Cr	86.93	44.72
EBITDA	₹ Cr	7.08	5.14
PAT	₹ Cr	1.34	0.46
Tangible Net worth (Analysed)	₹ Cr	13.45	12.38
Total Debt/Tangible Net worth	Times	3.32	3.48
Current Ratio	Times	1.18	1.16



Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure Sector](#)
- [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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