Rating Rationale

Agrownation India Ventures Pvt Ltd (ErstwhilePrayag Cereals Pvt. Ltd.)

12 June 2019

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹. 44.76 Crores of Agrownation India Ventures Pvt Ltd (ErstwhilePrayag Cereals Pvt. Ltd.).

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Jan 2019)	Present (Reaffirmation)
Fund based	15.82	44.76	Long Term	BWR BB (Pronounced as BWR Double B) Outlook: Stable	BWR BB (Pronounced as BWR Double B) Outlook: Stable
Total	15.82	44.76	INR Forty Four Crores Seventy Six Lakhs Only		

*Please refer to BWR website 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 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 provisional financial statements for FY19 & projected financial statements for FY20, publicly available information and information / clarification provided by the AIVPL 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, above average liquidity.

The ratings are however constrained by competition in the industry, stretched gearing, weak coverage ratios, fluctuating profitability margins, stretched working capital.

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

Description of Key Rating Drivers

- **Credit Strengths:**

Extensive experience of the promoters: Extensive experience of the promoters with over 35 years of experience in the same line of business.

Availability of raw materials: 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. Also in FY19 provisionals the TNW has increased to Rs 8.73 Cr whereas the TNW (analysed) increased to Rs 16.17 Cr.

Increase in profitability: Increase in profitability with the NPM at 1.54% in FY18 as compared to 1.03% in FY17 but has declined in FY19 to 0.87%.

- **Credit Risks:**

Presence in a highly competitive industry and susceptibility to changes in climate and government regulations: Paddy being an agricultural product, its availability is seasonal and dependent on monsoon/irrigation. This is compounded by limited ability to completely pass on any increase in raw material price to customers. Also, the rice industry is regulated in terms of paddy price, export/import of rice, and rice release mechanism. Minimum support price of paddy and prevailing rice price are key determinants of a rice mill's profitability.

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. The same continues to be stressed in FY19 as well.

Weak coverage ratios: Weak 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 profile: Weak liquidity profile with current ratio standing at 1.18x in FY18 as compared to 1.16x in FY17. But the same has improved in FY19 to 1.34x.

Stretched working capital: Stretched working capital with a conversion cycle of 198 days in FY18 which continues to remain stretched in FY19 as well.

Liquidity profile: AIVPL has a weak current ratio of 1.18x in FY18. The cash and cash equivalents stand at 0.04 Cr in FY18. AIVPL's average CC utilization for the last 6 months stands at 95.36%.

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 (ErstwhilePrayag 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 Jan 2019 as BWR BB with a Stable Outlook and has now approached BWR for a surveillance.

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. In FY19 the company registered a revenue of Rs 106.34 Cr and the TNW in the same year stands at Rs 8.73 Cr.

Rating History for the last three years

S.No	Facility	Current Rating			Rating History		
		Type	Amount (₹ Crs)	Rating	Jan 2019	April 2018	March 2017
1	**Fund Based**	Long term	44.76	**BWR BB** (Pronounced as BWR Double B) **Outlook: Stable**	**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**
	Total		**44.76**	**₹ Forty Four Crores Seventy Six Lakhs Only**			

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

Any other information

<u>Key Financial Indicators</u>

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	₹ Cr	7.80	6.46
Tangible Net worth (Analysed)	₹ Cr	13.45	12.38
Total Debt/Tangible Net worth	Times	6.45	7.58
Total Debt/Tangible Net worth (Analysed)	Times	3.32	3.48
Current Ratio	Times	1.18	1.16

Hyperlink/Reference to applicable Criteria

- **General Criteria**
- **Approach to Financial Ratios**

For any other criteria obtain hyperlinks from website

Analytical Contacts	Investor Contacts
Sushil Kumar Chitkara Associate Director - Ratings B :+91 22 2831 1426, +91 22 2831 1439 sushilkumar.c@brickworkratings.com **Saloni R Singh** Ratings Analyst D : +91 22 6745 6647 B :+91 22 2831 1426, +91 22 2831 1439 saloni.r@brickworkratings.com	**Satish Nair** Director - Global Market Development & Investor Relations M : +91 7738875550 B : +91 80 6745 6666 satish.n@brickworkratings.com
1-860-425-2742	

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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.

DISCLAIMER

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