

## RATING RATIONALE

27 Jan 2020

### Ajanta Industries

#### Brickwork Ratings revises the ratings for the Bank Loan Facilities of ₹. 18.79 Crores of Ajanta Industries

##### Particulars

Facility**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (August, 2018)	Present
Fund based	8.54	10.04	Long Term	BWR BB Stable	BWR D [Downgrade]
	7.15	8.75	Short Term	BWR A4+	BWR D [Downgrade]
<b>Total</b>	<b>15.69</b>	<b>18.79</b>	<b>INR Eighteen Crores &amp; Seventy Nine Only</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

\*\* Details of Bank facilities is provided in Annexure-I

#### RATING ACTION : Long Term Ratings & Short Term Ratings Downgraded to BWR D

The rating of Ajanta Industries has been Downgraded to BWR D on account of Banker's Feedback dated 24th January 2020 for delays in servicing of debts and conduct of account being poor.

#### KEY RATING DRIVERS

##### Credit Strengths:

- TOI increased to ₹61.72 Crs during FY19, recording growth of 23.81% from ₹49.98 Crs in FY18. This was on account of higher sales volume led by increase in installed capacity of cashew processing facilities.
- The Entity has a moderate working capital cycle of 149 days in FY19, improving from 169 days in FY18. However, it has a high inventory holding of 131 days leading to high inventory of ₹20.50 Crs in FY17.
- The Entity has developed a good business reputation over 3 decades in the cashew industry. This has enabled its proprietor to establish longer business relationships with customers as well as securing repeated orders. The Entity enjoys domestic as well as



international clientele base.

- The Current ratio for FY19 stood at 1.39X improving from 1.22X in FY18..

#### **Credit Risks:**

- There are delays in the servicing of its debt liabilities
- Gearing stood high at 4.76X in FY19, further deteriorating from 3.72X in FY18.
- Profitability ratios are showing fluctuating trends in recent years. OPM declined to 5.07% in FY19 from 7.09% in FY18 and NPM reduced to 0.73% in FY19 from 2.01% in FY18.
- Inherent risk of withdrawal of capital, as the entity is a proprietorship concern as visible from the reduction in the TNW to ₹4.80 Crs in FY19 from ₹ 5.54 Crs in FY18.

#### **ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA**

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 SENSITIVITIES**

Going forward, the ability of the firm to accelerate its scale of operations, increase its profit margins,, efficiently manage its working capital and cash flows for timely servicing of interest/debt obligations and strengthening of overall financial risk profile shall be the key rating sensitivities.

**Positive:** Rating of the firm may be upgraded in case the firm clears all the overdues to its lenders and continues to repay the lenders regularly for at least 6 months without any delay..

#### **LIQUIDITY POSITION: POOR**

The cash and cash equivalents stand at Rs 0.29 crs in FY19 as compared to Rs. 0.16 Crs in FY18. The current ratio stands at 1.39X in FY19 as compared to 1.22X in FY18 . ISCR stand at 1.57X in FY19 as compared to 1.72X in FY18. DSCR stand at 1.27X in FY19 as compared to 1.56X in FY18.The firm has poor liquidity as indicated by the delays in the repayment/payment of dues to its lenders.

#### **COMPANY PROFILE**

Based in Ponda (Goa), Ajanta Industries is managed by its proprietor Mr. A Surendra Kamath. The Entity, established in 1982, presently has its cashew processing facility at Ponda. The installed capacity of this facility stood at 5,500 MT after completion of expansion project in FY17. The Entity is engaged in processing and supply (domestic as well as export) of certified organic cashew kernels. The processing of cashews involves activities such as removal of shell, steam roasting, mechanised peeling and grading, packing and inspection. Ajanta Industries sells cashew kernels under the brand name of '*A-1 Ajanta*'.

**KEY FINANCIAL INDICATORS (in INR Crs)**

Key Parameters	Units	FY 19	FY 18
Result Type		Audited	Audited
Total Operating Income	₹ Cr	61.72	49.98
OPBDIT	₹ Cr	3.13	3.54
PAT	₹ Cr	0.45	1.01
Tangible Net Worth	₹ Cr	4.80	5.54
Total Debt/TNW	Times	4.76	3.72
Current Ratio	Times	1.39	1.22

**KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED : None**

**NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY : None**

**RATING HISTORY**

Instrument	Current Rating			Rating History		
	Tenure (Long Term/ Short Term)	Amount (₹ Cr)	Rating	August, 2018	2017	2016
Fund Based	Long Term	10.04	<b>BWR D Downgrade</b>	<b>BWR BB Stable</b>	NA	NA
	Short Term	8.75	<b>BWR D Downgrade</b>	<b>BWR A4+</b>	NA	NA

**COMPLEXITY LEVELS OF THE INSTRUMENTS**

For more information, visit [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf)

**Hyperlink/Reference to applicable Criteria**

- [Manufacturing Companies](#)
- [Approach To Financial Ratios](#)
- [Infrastructure Sector](#)

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***Ajanta Industries***

**ANNEXURE I  
Details of Bank Facilities rated by BWR**

Sl. No.	Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
1	Canara Bank	Cash Credit	0.29	-	0.29
2		Term Loan	9.75	-	9.75
3		PC/PCFC/FDB	-	8.75	8.75
<b>TOTAL</b>					<b>18.79</b>

**Total Rupees Eighteen Crores & Seventy Nine Lakhs only.**

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