



Rating Rationale

Ajanta Industries, Goa

31 Aug 2018

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹15.69 Crores of Ajanta Industries ('the Entity').

Particulars

Fund Based Facilities	Amount (₹ Crs)	Tenure	Rating*
Operating Cash Credit	8.00	Long Term	BWR BB (Pronounced as BWR Double B) Outlook: Stable
Term Loan	0.54		
PC/PCFC/FDB	7.15	Short Term	BWR A4+ (Pronounced as BWR A Four Plus)
Total	15.69	INR Fifteen Crores Sixty Nine Lakhs Only	

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

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financial statements of the Entity upto FY17, provisional financials of FY18, projected financials of FY19, publicly available information and information/clarifications provided by the Entity's management.

The ratings draw strength from the experience of the proprietor in cashew industry, established business relations with its domestic and international clientele, healthy growth in operating revenues supported by moderate working capital cycle. The ratings are, however, constrained by leveraged capital structure, weak current ratio, fluctuating profitability margins as well as inherent risk of withdrawal of capital by the proprietor.

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

Key Rating Drivers

Credit Strengths

- **Business experience of proprietor and established clientele relationship**

The proprietor is 61 years old and has vast experience in cashew industry spanning more than 3 decades. Due to this, the Entity has established longer business relations with its customers. It has domestic as well as international clientele base.

- **Healthy growth in operating revenues**

Total Operating Income (TOI) increased to ₹49.59 Crs (prov.) during FY18, recording growth of 68% from ₹29.50 Crs. Growth is observed due to higher sales volume led by increase in installed capacity of cashew processing facility.

- **Moderate working capital cycle**

The Entity has moderate working capital cycle of 168 days in FY18, improving from 238 days in FY17. The same was 120 days in FY16. However, it has high inventory holding of 189 days in FY17, leading to high inventory of ₹15.80 Crs as on 31-Mar-17.

- **Moderate net worth and coverage ratios**

Tangible Net Worth (TNW) of the Entity stood at ₹5.32 Crs as on 31-Mar-17 as against ₹5.10 Crs as on 31-Mar-16. Upward trend in TNW is observed since FY16. Debt-service coverage ratio (DSCR) stood comfortable at 1.90x in FY17 compared to 1.76x in FY16. Interest-service coverage ratio (ISCR) improved marginally to 1.38x in FY17 from 1.12x in FY16. Further improvement is expected in ISCR going ahead.

Credit Risks

- **Inherent risks associated with nature of entity**

There is an inherent risk of withdrawal of capital as Ajanta Industries is a proprietorship concern. Mr. Kamath also holds 9% as a partner in Shanti Agro Industries engaged in same line of business.

- **Leveraged capital structure**

The Entity has highly leveraged capital structure. Gearing ratio deteriorated to 3.33x in FY17 from 3.21x in FY16. It is further expected to increase based on FY18 (prov.) figures.

- **Weak liquidity position**

Current ratio weakened to 1.19x as on 31-Mar-17 from 1.23x as on 31-Mar-16, indicating weak liquidity position of the Entity.

- **Fluctuating profitability margins**



Profitability ratios are showing fluctuating trend in recent years. Operating profit margin (OPM) for FY17 stood at 8.09% while it was 3.61% for FY16. Net Profit Margin (NPM) stood at 3.97% and 2.14% for FY17 and FY16 respectively. Going ahead, both are expected to decline in FY18.

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 that **Ajanta Industries** 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 Entity

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*'.

Entity's Financial Performance

Ajanta Industries reported TOI of ₹29.50 Crs and Net Profit of ₹1.17 Crs in FY17 as against ₹42.58 Crs and ₹0.87 Crs respectively in FY16. On a provisional basis, it has reported TOI of ₹49.59 Crs in FY18. Total Debt amounted to ₹17.73 Crs while TNW stood at ₹5.32 Crs as on 31-March-2017. DSCR stood comfortable at 1.90x, current ratio stood weak at 1.38x while ISCR stood at 1.19x as on 31-Mar-2017. Key financial indicators are disclosed in **Annexure I**.

Rating History for the last three years

Sr. No.	Instrument / Facility	Current Rating (August 2018)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2017	2016	2015
1.	Fund Based	Long Term	8.54	BWR BB Outlook: Stable			
		Short Term	7.15	BWR A4+			
Total			15.69	INR Fifteen Crores Sixty Nine Lakhs Only			

***Issuer Non-Cooperation**

Annexure I - Key Financial Indicators

Key Parameters	Units	2017	2016
Result Type		(Audited)	(Audited)
Operating Revenue	₹ Cr	29.50	42.58
EBITDA	₹ Cr	2.39	1.54
Net Profit	₹ Cr	1.17	0.87
Tangible Net worth	₹ Cr	5.32	5.10
Total Debt/Tangible Net worth	Times	3.33	3.21
Current Ratio	Times	1.19	1.23

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Sector](#)
- [Short Term Debt](#)



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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

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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. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 11,99,663 Cr. In addition, BWR has rated over 6819 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹48,803 Cr have been rated.

BWR has rated over 30 PSUs/Public Sector banks, as well as many major private players. BWR has a major presence in ULB rating of nearly 102 cities

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