



Rating Rationale

Ajay Agro Industries

25 Feb 2019

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹. 8.50 Crores of Ajay Agro Industries.

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Feb, 2018)	Present (Reaffirmation)
Fund based:					
CC	6.50	6.50	Long Term	BWR B+ (Pronounced as BWR B plus) Outlook: Stable	BWR B+ (Pronounced as BWR B Plus) Outlook: Stable
TL	2.00	2.00			
Total	8.50	8.50	INR Eight Crores Fifty 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 Ajay Agro Industries (AAI) Audited Financial Statements from FY16 to FY18 for ease in understanding and comparison. AAI has also provided the projected financial statements for FY19 & FY20, publicly available information and information / clarification provided by the AAI management.

The ratings assigned to the bank facilities of AAI draws strength from extensive experience of the promoters, locational advantage, modest scale of operations, moderate liquidity profile.

The ratings are however constrained by low level of TNW, stretched gearing, weak coverage ratios, weak profitability margins.

Going forward the concern's ability to increase the paid up share capital through capital infusion, improve the scale of operations, improve and maintain the profitability & the debt servicing capability & maintain the liquidity will be the key rating sensitivities.

Description of Key Rating Drivers

- **Credit Strengths:**

Extensive experience of the proprietor: The proprietor has been associated with the same industry for over a two decades.



Locational advantage: AAI's manufacturing facility is located in Madhya Pradesh which is one of the major cotton producing region in India. Thus proximity to raw materials ensures continuous supply of the same at competitive rates.

Modest scale of operations: Modest scale of operations with TOI Rs 45.09 Cr in FY18 as compared to Rs 47.28 Cr in FY17.

Moderate liquidity profile: Moderate liquidity profile with the current ratio standing at 2.91x in FY18 as compared to 1.82x in FY17

- **Credit Risks:**

Low level of TNW: Low level of TNW which has marginally increased to Rs 1.42 Cr in FY18 as compared to Rs 1.22 Cr in FY17. The TNW analysed has increased to Rs 4.23 cr in FY18 as compared to Rs 1.99 Cr in FY17 as a result of increase in the USL.

Stretched gearing: The gearing is stressed as the total debt/TNW stands at 12.76x in FY18 as compared to 6.05x in FY17 and the total debt/ TNW analysed stands at 3.63x in FY18 and the TOL/TNW stands at 9.86x in FY18 as compared to 5.72x in FY17.

Weak coverage ratios: Weak coverage ratios with ISCR & DSCR standing at 1.42x & 1.06x respectively in FY18 as compared to 1.95x & 0.94x respectively in FY17.

Weak profitability margins: Weak profitability margins with the NPM at 0.78% in FY18 as compared to 0.71% in FY17.

Liquidity analysis: The average CC utilization of AAI is 34.05%. The concern has cash and cash equivalents amounting to Rs 0.11 cr in FY18 and the current ratio stands at 2.91x 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 the **Ajay Agro 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 Company

M/s Ajay Agro Industries (AAI) is a proprietary concern started in 2010 having cotton seed oil Mill at Khandwa, MP. Mr. Sanjay Agarwal is proprietor of the Ajay Agro Industries. The above concern was initially an oil mill which had been started during the financial year 2010-11 by installation of 5 oil expeller , afterwards installing additional 5 oil expellers during the financial year 2014-15. But later the concern started a fully automated cotton ginning factory, the commercial operations for which started in December 2017. Cotton seed are the finished product of ginning factory and raw materials for cotton seed oil units. The manufacturing facility runs in two shifts in a day and being in the seasonal industry it operates for 7-8 months in a year.

Company Financial Performance

During FY17, the total operating income of AAI stood at Rs.47.28 crore (vis-à-vis Rs.45.09 crore in FY18), whereas the PAT during the same year stood at Rs.0.34 crore (vis-à-vis Rs 0.35 crore in FY18). DSCR stood at 0.94 Times in FY17 as compared to 1.06 Times in FY18. The TNW analysed stands increased to Rs 4.23 Cr in FY18 on account of unsecured loans taken from friends and family.

Rating History for the last three years

S.No	Facility	Current Rating (2019)			Rating History		
		Tenure	Amount (₹ Crs)	Rating	Feb, 2018	2017	2016
1	Fund Based: CC TL	Long term	6.50 2.00	BWR B+ (Pronounced as BWR B Plus) Outlook: Stable	BWR B+ (Pronounced as BWR B Plus) Outlook: Stable	NA	NA
Total			8.50	₹ Eight Crore Fifty 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	45.09	47.28
EBITDA	₹ Cr	1.08	0.84
PAT	₹ Cr	0.35	0.34
Tangible Net worth	₹ Cr	1.42	1.22
Total Debt/Tangible Net worth	Times	12.76	6.05
Current Ratio	Times	2.91	1.82

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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For print and digital media

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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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