



## Rating Rationale

**Ajit Agro Industries**

**23 Feb 2018**

**Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 7.00 Crores of Ajit Agro Industries.**

### Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Cash Credit	7.00	Long Term	<b>BWR B+</b> (Pronounced BWR Single B Plus) <b>Outlook : Stable</b>
<b>Total</b>	<b>7.00</b>	<b>INR Seven Crores Only</b>	

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

### Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financials of Ajit Agro Industries up to FY 17, projected financials up to FY 19, publicly available information and information/clarifications provided by the firm.

The rating reflects experience of the partners, established track record, increase in revenue and strategic location in the cotton growing region.

The rating is, however, constrained by Low profitability, Weak debt coverage indicators, Moderate liquidity profile, Highly competitive industry and Seasonality associated with the cotton industry.

### Rationale/Description of Key Rating Drivers/Rating sensitivities:

#### Description of Key Rating Drivers

##### Credit Strengths:

Firm consists of experienced and well qualified partners as well as skilled management team. Firm was founded in 1997 and has long track record of operation. Firm has achieved sales of Rs 40.23 Crs in FY17 against Rs 32.78 Crs in FY16. Firm procures raw cotton, key raw material, from the local market and nearby areas while cotton seeds are procured mainly from Southern states of India.

##### Credit Risks:



Firm has reported declining operating profitability from 3.17 per cent in FY16 to 2.73 per cent in FY17. The net profit margin remain low and is mainly supported by non operating income. weak debt protection marked by low ISCR of 0.98 times and DSCR 0.60 times.

### **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 **Ajit 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**

AAI, was formed in 1997 as a partnership concern by Mr Ajit Singh Ubeja along with his family members, to primarily undertake the business of cotton ginning and pressing activity along with extraction of cotton oil.

AAI operates from its sole manufacturing unit located at Khandwa having production capacity of 150 quintal lint per day as on March 31, 2016, along with extracting capacity of around 125 quintal per day of cotton oil with total of six extraction machines.

The finished products of the firm comprises of cotton bales, cotton seeds, cotton seed oil as well as cotton seed cake which is a by-product derived from the processing of oil from seeds. Moreover, the firm also trades in soya bean as well as undertakes job work activity for other units pertaining to ginning and pressing located in and around Khandwa district.

The firm caters to the domestic market and sells its products directly all over India. It procures raw cotton, key raw material, from the local market and nearby areas while it procures cotton seeds mainly from Southern states of India.

### **Company Financial Performance**

Firm has achieved sales of Rs 40.23 Crs in FY17 against Rs 32.78 Crs in FY16. The net profit margin and operating profit margin stood at 0.81 per cent and 2.73 per cent in FY17.

**Rating History for the last three years**

S.No	Instrument /Facility	Current Rating (2018)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2017	2016	2015
	<b>Cash Credit</b>	Long Term	7.00	<b>BWR B+</b> (Pronounced BWR Single B Plus) <b>Outlook : Stable</b>	NA	NA	NA
	<b>Total</b>		<b>7.00</b>	<b>₹ Seven Crores Only</b>			

**Status of non cooperation with Previous CRA : Non Applicable**

**Any other information: Non Applicable**

**Key Financial Indicators**

Key Parameters	Units	2017	2016
<b>Result Type</b>		<b>Audited</b>	<b>Audited</b>
Operating Revenue	₹ Cr	40.56	32.78
EBITDA	₹ Cr	1.11	1.04
PAT	₹ Cr	0.33	0.27
Tangible Net worth	₹ Cr	5.75	4.92
Total Debt/Tangible Net worth	Times	2.61	2.23
Current Ratio	Times	2.70	-

**Hyperlink/Reference to applicable Criteria**

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



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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](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).

**About Brickwork Ratings**

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been 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 Nationalized 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, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 10,00,000 Cr. In addition, BWR has rated over 6300 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹24,440 Cr have been rated.

**DISCLAIMER**

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