

Rating Rationale

Brickwork Ratings assigns “BWR BB-” for Bank Loan facilities aggregating ₹ 20.00 Crores of M/s Akhila Agro Products

Brickwork Ratings has assigned following **Ratings**¹ for Bank Loan facilities of M/s Akhila Agro Products (*The Firm*)

Facility	Limits (₹ Cr)	Tenure	Rating
Fund Based Cash Credit Proposed	20.00	Long Term	BWR BB- BWR Double B Minus Outlook: Stable
Total	20.00	INR Twenty Crores Only	

BWR has principally relied upon the certified and authenticated provisional financial results of FY16, projected financials up-to FY19, publicly available information and information/clarification provided by the Firm’s management.

The ratings assigned derive its strengths experienced promoters, absence of external borrowings, strong customer profile and locational advantage. However, the ratings are constrained by limited track record, low value addition, deterioration of debt equity in medium term and stiff competition in the industry.

Background:

M/s Akhila Agro Products established as a partnership concern in April 2015. The firm is located at Guntur, Andhra Pradesh. Firm is engaged in trading and pressing of Tobacco. Company is able to process ~15 Tone per day.

Firm is promoted by Mrs. Jayalakshmi & J Anusha and business operations is managed by Mr. Krishna Babu, husband of Mrs. Jayalakshmi, who has 15 years of experience in the business. Firm is also being supported by group concern JLDM Textiles Industries Pvt. Ltd.

Financial Performance:

As per certified provisional financials of FY16, Firm has achieved net revenue of Rs. 43.26 Crores. Operating and Net profit margin reported very thin due to first year of operations. Tangible net-worth stood at Rs. 4.74 crores as on 31 March 2016. Gearing level is expected to deteriorate further in medium term due to avilment of working capital borrowings. However, firm has absence of external borrowings. During first year working capital cycle reported at 40 days.

¹ Please refer to www.brickworkratings.com for definition of the Ratings

Rating Outlook:

The outlook of the firm for the next one year is expected to be stable. The ratings assigned are subject to mandatory review in June 2016 based on audited financials of FY16. Going forward, ability of the firm to achieve the projected turnover and profitability margins, to improve its capital base, to withstand in the competitive market and to sustain the working capital cycle achieved will remain key rating sensitivities.

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