

## RATING RATIONALE

18 March 2020

### Annapurna Udyog

**Brickwork Ratings has reaffirmed the ratings for the Bank Loan Facilities of ₹ 19.50 Crores of Annapurna Udyog**

#### Particulars:

Facility**	Amount (₹ Cr)	Amount (₹ Cr)	Tenure	Previous Rating (March, 2019)	Rating* Assigned
	Previous	Present			
Fund based Cash Credit	19.50	19.50	Long Term	BWR BB Stable	BWR BB Stable Reaffirmed
<b>Total</b>	19.50	19.50	INR Nineteen Crores Fifty Lakhs Only		

\*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 / OUTLOOK

Brickwork rating has reaffirmed the long term rating to BWR BB/Stable for the bank loan facilities of Annapurna Udyog.

The rating draws comfort from the experience of the management, improved scale of operations, improved profitability, above average debt protection metrics. The rating however, is constrained by intense competition due to low entry barriers, vulnerability to commodity price movements, high gearing level and nature of constitution.

The 'Stable' outlook indicates a low likelihood of rating change over in the medium term. BWR expects that Annapurna Udyog's business risk profile will be maintained over the medium term.

## KEY RATING DRIVERS

### Credit Strengths:

- **Extensive experience of management:** The partners of the firm Mr. Mithlesh Gupta and Mr. Sant Kumar Gupta are well qualified and hold more than two decades of experience in the industry. Their experience and knowledge has helped them in maintaining long term relationships with their clients and suppliers and benefitted the entity to scale up the business further.
- **Improved Scale of Operations and Improved Profitability:** There is an upward trend reflected in the top line. Operating income of the entity increased from INR 128.42 crores in FY18 to INR 160.95 in FY19. The Net Profit of the entity increased to INR 4.02 crores in FY19 against INR 1.05 crores in FY18. However, the performance in the current financial is subdued, as the entity was not involved in trading of Peas because of certain restrictions were put on import of peas by Government of India
- **Above Average Debt Protection Metrics:** The debt protection metrics of the entity is above average which is reflected by DSCR and ISCR of 2.04x & 2.60x in FY19 as compared to 1.18x & 1.37x in FY18.

### Credit Weakness

- **Intense competition due to low entry barriers** - The company faces stiff competition from a few large and established players as well as a number of unorganised players in the pulses processing sector because of the fragmented industry structure and low entry barriers. This limits its pricing flexibility and bargaining power with customers, putting pressure on its revenues and margins.
- **Vulnerability to commodity price movements-** The Entity remains susceptible to adverse movements in raw material procurement costs, its quality, pricing and also to finished goods realisations. The raw material prices, quality depend on monsoon conditions and government policies.
- **High Gearing Level:** The firm has high gearing level with TOL/TNW of 2.84 times in FY19, It has increased as compared to previous year of 2.56 times. Total Debt/TNW stood at 2.56 times in FY19 against 2.52 times in FY18.

- **Nature of Constitution:** Annapurna Udyog being a partnership firm is exposed to inherent risk associated with partnership constitution such as capital being withdrawn at a time of personal contingency and risk of dissolution.

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

BWR has factored in the standalone business parameters and financial risk profile of the entity to arrive at the rating. Reference may be made to the Rating Criteria hyperlinked detailed below (hyperlinks provided at the end of this rationale).

## **RATING SENSITIVITIES**

Going forward, the ability of the entity to improve its scale of operations, improve its profitability margins, the debt servicing capability & liquidity would be key rating sensitivities.

- **Positive :**  
The outlook may be revised to positive if the entity is able to achieve significant growth in revenue and profitability backed by a favourable industry scenario and optimum utilization of capacities.
- **Negative :**  
The outlook may be revised to negative if revenue and profit margins decline from the current level and if there is an overall deterioration in the financial position of the entity.

## **LIQUIDITY POSITION: Adequate**

Liquidity position of the entity is adequate marked by 70% of the utilization of the bank facilities (CC). Other Liquidity indicators are also considered adequate marked by conversion cycle of 77 Days in FY19 and current ratio of 1.48X in FY19. The Debt Protection Metrics i.e. ISCR & DSCR is above average i.e. 2.60x & 2.04 in FY19 against 1.37x & 1.18x in FY18. Net Cash Accruals have increased to INR 4.29 Crores in FY19 against INR 1.30 Crores in FY18.

## **FIRM PROFILE**

Annapurna Udyog was incorporated as a partnership firm by Mr. Mithlesh Gupta and his brother Mr. Sant Kumar Gupta in 1994. The firm is into processing and trading of pulses- Arhar Dal, Chana Dal, Masoor Dal etc. Their manufacturing unit is located at Panki, Kanpur with a total capacity of 1500 quintal per day.

### KEY FINANCIAL INDICATORS

Key Parameters	Units	FY 18	FY19
Result Type		Audited	Audited
Total Operating Income	Rs Crs	128.42	160.95
OPBDIT	Rs Crs	3.24	6.20
PAT	Rs Crs	1.05	4.02
TNW	Rs Crs	10.06	9.20
Total Debt/TNW	Times	2.52	2.56

### KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED - NA

**NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY- CRISIL B+(Stable): ISSUER NOT COOPERATING (December, 2019)**

### RATING HISTORY

Facilities	Current Rating (2020)			Rating History		
	Tenure	Amount (₹ Cr)	Rating	March, 2019	2018	2017
<b>Fund Based Cash Credit</b>	Long Term	19.50	BWR BB Stable Reaffirmed	BWR BB Stable	-	-
Total		19.50	INR Nineteen Crores Fifty Lakhs Only			

## 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

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

Analytical Contacts	Investor and Media Relations
<p><b>Deepak Kumar</b> Rating Analyst Phone: +91 11 2341 2232; Ext: 109 <a href="mailto:deepak.k@brickworkratings.com">deepak.k@brickworkratings.com</a></p> <p><b>Satvinder Kumar Gakhar</b> Associate Director - Ratings Phone: +91 11 23412232 <a href="mailto:satvinder.g@brickworkratings.com">satvinder.g@brickworkratings.com</a></p>	<p>Liena Thakur Assistant Vice President - Corporate Communications M : +91 8433994686 <a href="mailto:investordesk@brickworkratings.com">investordesk@brickworkratings.com</a></p>

## Annapurna Udyog

### ANNEXURE I

#### Details of Bank Facilities rated by BWR

Name of the Bank	Type of Facilities	Long Term {(₹ Cr)}	Short Term (₹ Cr)	Total (₹ Cr)
Union Bank of India	Fund Based Cash Credit	19.50	-	19.50
<b>TOTAL</b>				<b>19.50</b>

INR Nineteen Crores Fifty Lakhs Only



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