



Rating Rationale

Arkavathi Ventures

10 Jan 2018

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 12.20 Crores of Arkavathi Ventures.

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Term Loan	9.20	Fund based/Long Term	BWR B+ (BWR Single B Plus) Outlook: Stable
Proposed Term Loan	3.00		
Total	12.20	INR Twelve Crores and Twenty Lakhs Only	

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

Rating Assigned

Brickwork Ratings has assigned the rating of “BWR B+” for Arkavathi Ventures (‘AV’ or ‘Firm’) bank loan facilities amounting to ₹ 12.20 Crores.

Rationale/Description of Key Rating Drivers/Rating sensitivities:

Brickwork Ratings have relied on Arkavathi Venture’s projected results upto FY22 and other information/clarifications provided by the Firm.

The rating assigned to the bank facilities of Arkavathi Ventures draws comfort from the experience of the promoters for more than two decades in various sectors. However, it is constrained by project implementation risk, highly fragmented industry with number of players and constitution of the entity as a partnership concern

Going forward, the ability of the firm to complete the project without any cost & time overrun and ability of the firm to collect the rental income as envisaged are the key rating sensitivities.

Description of Key Rating Drivers

- **Credit Strengths:**



- **Extensive experience of partners:** Arkavathi Ventures is promoted by Mr. M. N. Ganesh along with his sons Mr. Abhinash Ganesh and Mr. Sahen Ganesh. Mr. M. N. Ganesh is having more than 40 years of experience in manufacturing of Table Mould Clay Bricks.
- The firm has also made a lease agreement with “Instakart Services Pvt Ltd” to lease out portion of the godown property admeasuring 150000 Sq Ft carpet area. This agreement shall be for a period of Six years commencing from 30th Oct, 2017. The annual rental income will be Rs. 2.70 Cr.
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- **Credit Risks:**
 - **Project Implementation Risk:** The firm is undertaking a project for construction of warehouse in Karnataka on land area of 4.04 acres comprising of one godown with a built up area measuring 160506 sq. ft., having a capacity of 53,590 MT. The project was started by the firm during September 2017 and expected to be completed by April 2018. The total cost of project is Rs. 12.94 Cr, which is expected to be funded through promoter fund of Rs. 3.44 Cr and term loan of Rs. 9.50 Cr. However, there was an escalation in the project cost by Rs. 4.11 Cr which is expected to be funded through additional term loan of Rs. 3.00 Cr. The ability of the firm to complete the project without any cost or time overrun will remain a rating sensitive.
 - **Constitution of the entity as a partnership concern:** Arkavathi Ventures being a partnership concern, is exposed to inherent risk of the partner’s capital being withdrawn at the time of personal contingency which will affect its capital structure.
 - **Highly fragmented industry with number of players:** The warehousing industry is highly fragmented and competitive marked by the presence of numerous players in India. The players in the industry do not have pricing power and are exposed to the competition induced pressures on profitability.

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 **Arkavathi Ventures** 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

Arkavathi Ventures was established in November, 2016 as a partnership concern, by Mr. M. N. Ganesh, Mr. Abhinash Ganesh and Mr. Sahen Ganesh. The firm has proposed to construct warehouse/rural godown for lease rental purpose. Arkavathi Ventures has started its construction of godown at Kodipalya Village, Bangalore North Taluk. The firm is expected to start its commercial operations in April 2018. The property is built on total land area of 4.04 acres comprising of one Godown having storage capacity of 53,590 MT for food crops, cash crops among others.

The total cost of project is Rs. 12.94 Cr which is proposed to be funded through bank term loan of Rs. 9.50 Cr and equity share capital of Rs. 3.44 Cr

Firm Financial Performance

Commercial operations of the Firm is going to start in 2018. The firm has projected revenues of Rs. 1.95 Cr and operating profit of Rs. 1.86 Cr in its first year of operations.

Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2017)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2017	2016	2015
	Fund Based	Long Term	12.20	BWR B+ (Outlook: Stable)	NIL		
	Total		12.20	₹ Twelve Crores and Twenty Lakhs Only			

Key Financial Indicators

Key Parameters	Units	2020	2019	2018
Result Type		Projected	Projected	Projected
Operating Revenue	₹ Cr	3.40	3.24	1.95
EBITDA	₹ Cr	3.09	2.93	1.86
PAT	₹ Cr	0.81	0.51	0.00
Tangible Net worth	₹ Cr	4.76	3.96	3.44
Total Debt/Tangible Net worth	Times	2.25	2.76	1.85

Hyperlink/Reference to applicable Criteria



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

For any other criteria obtain hyperlinks from website

Analytical Contacts	Media
<i>AP Kamath</i>	media@brickworkratings.com
<i>GM-Ratings</i>	Relationship Contact
analyst@brickworkratings.com	bd@brickworkratings.com
Phone: 1-860-425-2742	

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, 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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