



Rating Rationale

Armania Agro Industries

14-March-2019

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 7.86 Crores of Armania Agro Industries.

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based	7.86	Long Term	BWR B+ (Pronounced as BWR Single B Plus) Outlook: Stable.
Total	7.86	INR Seven Crores Eighty Six Lakhs Only	

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

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon audited financial results of FY18, projected financial statements upto FY20, publicly available information and information/clarifications provided by the partners of the firm.

The assigned rating derives comfort from partner's experience in the current line of activity and established relationship with customer. The ratings also draws strength from increase observed in revenues and comfortable liquidity position clubbed with efficient conversion cycle. The rating is, however, constrained by high gearing level, moderate debt protection matrix, thin profit margins and intense competition from agro-products processing

Going forward, the ability of the firm to achieve the projected growth, to improve profitability, to improve gearing, to maintain its working capital efficiently and to improve its overall financial risk profile shall be the key rating sensitivities.



Description of Key Rating Drivers

Credit Strengths:

- Extensive experience of the partners: A decade long experience of partners in the agro based businesses, has enabled them to establish a healthy relationship with customers and scale up the operations.
- Established relationship with customers: Being decade old in agro commodities industry, AAI benefitted from the long standing relationship with its customer like supermarket chain D-Mart and other regional customers in Maharashtra, Gujarat and southern states.
- The firm has booked a revenue of Rs 85.06crs in FY18 and observed a growth of 30.70% as against FY17(Rs 65.08 crs)
- Comfortable liquidity position clubbed with efficient working capital cycle

Credit Risks:

- Low level of capital base restricting financial flexibility of the firm.
- High Gearing level clubbed with moderate debt protection matrix
- Thin profit margins
- Inherent risk associated with partnership firm.
- Intense competition in the agro-products processing industry

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 **Armania 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 Firm

Armania Agro Industries is a partnership firm established in February 2008 by Mr Vasantkumar Amichand Patel, Mr Mitesh Vasantlal Patel, Mr Bhavikkumar Prakash Patel and Mr Girishkumar Ramabhai Patel. The firm sorts, cleans and packages agro-based products such as Wheat, Chana, Millet,



and Chawli. The firm sells its products under the brands- Blue Bell, Top Grain, Best Grain, Chatko and Champion. The firm has a cleaning, processing and sorting plant at Himatnagar (Sabarkantha, Gujarat) with an installed capacity of 51,000 MT per annum.

Firm's Financial Performance

The firm booked a revenue of Rs 85.06 crs in FY18 and recorded a growth of 30.70% vis a vis FY17 (Rs 65.08 crs). The firm achieved a sales turnover of Rs 50.93 crs till January 2019. EBITDA margins have declined from 1.88% in FY17 to 1.65% in FY18.

Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		Audited	Audited
Operating Revenue	₹ Cr	85.06	65.08
EBITDA	₹ Cr	1.40	1.23
PAT	₹ Cr	0.14	0.17
Tangible Net worth	₹ Cr	2.56	2.72
Total Debt/Tangible Net worth	Times	3.81	3.54
Current Ratio	Times	1.28	1.31

Rating History for the last three years

S.No	Facility	Current Rating			Rating History		
		Type	Amount (₹ Crs)	Rating	2017	2016	2015
1	Fund Based	Long Term	7.86	BWR B+ (Pronounced as BWR Single B Plus) Outlook: Stable.	-	-	-
	Total		7.86	₹ Seven Crores Eighty Six Lakhs Only			



Status of non-cooperation with previous CRA (if applicable)-N.A

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)

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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