

Rating Rationale

Brickwork Ratings assigns 'BWR B+' & 'BWR A4' for the Bank Loan Facilities aggregating ₹ 7.50 Cr of Arun Agriculture.

Brickwork Ratings has assigned the following **Ratings**¹ for Bank Loan facilities of M/s Arun Agriculture (*The Firm*).

Facility	Limit (₹ Cr)	Tenure	Rating
Fund Based: Cash Credit	2.50	Long Term	BWR B+ (BWR B Plus) (Outlook:Stable)
Non Fund Based: Bank Guarantee	5.00	Short Term	BWR A4 (BWR A Four)
Total	7.50	INR Seven Crores & Fifty Lakhs only	

BWR has essentially relied upon the audited financials up to FY 13, projected financials of FY14 & FY15, publicly available information and information/clarifications provided by the firm.

The ratings have favorably taken into account the vast experience of the partners in dealership business, the firm's established market presence in few districts of Chhattisgarh and absence of long term external debt. However, the ratings are constrained by average financial risk profile marked by moderate gearing ratio, low capital base and thin profitability margins. The ratings are also constrained by stiff competition and demand for tractors in the area of its presence.

Background:

M/s Arun agriculture was established in 1996 and registered office is located at Deopuri, Raipur. Firm is authorized dealer from Mahindra and Mahindra for Tractors and agricultural equipments. There are eight retail outlets across Durg, Rajnandgaon, Gariaband and Balod districts of Chhattisgarh. Firm deals with different models of tractors ranging from 15Hp to 60 HP.

The firm partners are Mr. Arun Kumar Agrawal and Mrs. Keshri Devi Agrawal. Mr. Arun Kumar Agrawal has two decades of experience in the dealership business.

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

Financial Performance:

During FY13, net revenue from operations increased from Rs.65.77 Cr in FY12 to Rs.74.49 Cr in FY13. The firm operating and net profit margins reported at 1.44 per cent and 0.39 per cent in FY13 against operating and net profit of 1.69 per cent and 0.24 per cent during FY12. The tangible net-worth of the firm reported at Rs.1.56 Cr during FY13. The firm has brought unsecured loans of Rs.0.73 Cr from family and friends. The firm has no external long term borrowings from banks. The firm has stretched liquidity position reflected from current ratio of 1.10 times in FY13. Operating cycle of the firm is 41 days during FY13.

Rating Outlook:

The outlook of the firm for the next one year is expected to be stable. Going forward, ability of the firm to sustain the profitability margins, to improve capital base and to manage working capital will remain key rating sensitivities.

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