

## Rating Rationale

### Brickwork Ratings assigns ‘BWR B’ & ‘BWR A4’ for Bank Loan Facilities aggregating ₹ 5.75 Cr of Arun Agro Combine.

Brickwork Ratings has assigned the following **Ratings**<sup>1</sup> for Bank Loan facilities of M/s Arun Agro Combine (*The Firm*).

Facility	Limit (₹ Cr)	Tenure	Rating
<b>Fund Based:</b> Cash Credit	<b>2.00</b>	<b>Long Term</b>	<b>BWR B</b> <b>(Outlook:Stable)</b>
<b>Non Fund Based:</b> Bank Guarantee	<b>3.75</b>	<b>Short Term</b>	<b>BWR A4</b> <b>(BWR A Four)</b>
<b>Total</b>	<b>5.75</b>	<b>INR Five Crores &amp; Seventy Five Lakhs only</b>	

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 high 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 Agro Combine was established in 2012 and registered office is located at Deopuri, Raipur. Firm is authorized dealer from Mahindra and Mahindra for Tractors and agricultural equipments. There are six retail outlets across Raipur and Mahasamund districts of Chhattisgarh. Firm deals with different models of M& M tractors ranging from 15HP to 60 HP. The firm partners are Mr. Ashok Kumar Agrawal, Mrs. Ekta Agrawal and Mrs. Shilpi Agrawal. Mr. Ashok Kumar Agrawal has two decades of experience in the dealership business.

<sup>1</sup> Please refer to [www.brickworkratings.com](http://www.brickworkratings.com) for definition of the Ratings

### Financial Performance:

During FY13, net revenue from operations is reported at Rs. 39.33 Cr. The firm's operating and net profit margins are at 1.49 per cent and 0.29 per cent. The tangible net-worth of the firm was at Rs. 0.61 Cr in FY13. The firm has brought unsecured loans of Rs. 0.45 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 1.07 times in FY13. Operating cycle of the firm is 32 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 cycle will remain key rating sensitivities.

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