



Rating Rationale

Babber Agro Industry

23 May 2019

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 6.70 Crores of Babber Agro Industry.

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based Cash Credit Term Loan**	5.50 1.20	Long Term	BWR B- [Pronounced as BWR Single B Minus] (Outlook:Stable)
Total	6.70	INR Six Crores & Seventy Lakhs Only	

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

**Current O/S - Rs 0.09cr

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied on the audited financials upto FY18, publicly available information and the information/ clarifications provided by the firm's management.

The rating draws strength from the partner's experience and the locational advantage of being located in the Fazilka cluster. The ratings are however, constrained on account of the inherent risks associated with being a partnership firm, customer concentration risk, relatively moderate scale of operations and highly competitive nature of the industry.

Going forward, the ability of the firm, to increase the scale of operations, improve profitability, strengthen its credit profile and manage its working capital effectively would be the key rating sensitivities.

Description of Key Rating Drivers

Credit Strengths:

- **Locational Advantage:** The Firm is located in Fazilka cluster and thus has a competitive advantage in terms of skilled labor, logistics, production knowledge and vendors making the company more efficient and cost effective.
- **Partner's Experience:** The firm is a partnership firm run by Mr Khariat Lal Babbar & his son Mr Anmol Babbar. They have an experience of more than two decades in the rice industry. Over the years they have built healthy relationships with the key customers & suppliers.

Credit Risks:

- **Constitution:** Withdrawal of capital by the Partners for any personal contingency would adversely affect the capital structure of the firm. Limitations of Partnership constitution in terms of capital and management
- **Competition in the Industry:** Entry barriers in the industry are low on account of limited capital and technology requirement and also low differentiation in the end product leading to intense competition and limiting the pricing power resulting in low profitability
- **Networth:** Low net worth of the company resulting in high gearing
- **Drop In Revenues:** There has been a drop in the revenues of the firm in FY18 to Rs 25.33cr from Rs 46.34cr in FY17.

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).

Liquidity Profile

The firm has no liquid investments and cash balances in FY18 is Rs. 0.01crs. The firm is availing long term facility of cash credit & term loan. The CC Utilization stands at 98.61%. Conversion Cycle is at 236 days in FY18, however, that is the nature of manufacturing industry having higher receivable days due to a longer contract period. There is a LTB of 10.01cr, however, the company has not provided us with any cash flows for the same. The firm has a DSCR of 1.26X & ISCR of 1.26X in FY18. Current ratio of the firm stands at 1.92X in FY18. There are no subsidiary.

Liquidity profile of the company is moderate with nature of the business line being the underlying factor. Imbalance in the payables and receivables will change the profile outlook



Rating Outlook: Stable

BWR believes the **Babbar Agro Industry** 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

Established in 2010 as a proprietorship firm by Mr K L Babbar, BAI, on April 1, 2016, was reconstituted as a partnership between Mr Babbar and his son Mr Anmol Babbar. It processes both basmati and non-basmati rice at its facility in Fazilka, Punjab.

The firm is engaged in the milling and processing of basmati rice. The production facilities are located at Fazilka, Punjab. The firm has a licensed capacity of 2.5tonnes.

Company Financial Performance

The firm has earned a total operating income & PAT of Rs 25.33cr & Rs0.03cr in FY18 vis-a-vis Rs 46.34cr & Rs 0.03cr in FY17.

Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		Audited	Audited
Operating Revenue	₹ Cr	25.33	46.34
EBITDA	₹ Cr	1.64	2.06
PAT	₹ Cr	0.03	0.03
Tangible Net worth	₹ Cr	2.71	2.62
Total Debt/Tangible Net worth	Times	5.74	7.16
Current Ratio	Times	1.92	2.29



Rating History for the last three years

S.No	Instrument /Facility	Current Rating			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2018	2017	2016
	Fund Based	Long Term	6.70	BWR B- [Pronounced as BWR Single B Minus] (Outlook:Stable)	NA	NA	NA
	Total		6.70	₹ Six Crores & Seventy Lakhs Only			

Status of non-cooperation with previous CRA - CRISIL Ratings vide press release dated April 12,2018 have classified Babber Agro Industries as CRISIL B-/Stable (ISSUER NOT COOPERATING) on account of non-receipt of information.

Any other information - NA

Hyperlink/Reference to applicable Criteria

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

For any other criteria obtain hyperlinks from website



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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.

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