



## Rating Rationale

### Primary Agriculture Co-operative Society Ltd - Turvihal

7 Sep 2018

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 10.54 Crores of Primary Agriculture Co-operative Society Ltd - Turvihal.

#### Particulars

Facility Fund based	Amount (₹ Crs)	Tenure	Rating*
<b><u>Crop Loan - ACC</u></b> Sanctioned Proposed	6.58 3.96	<b>Long Term</b>	<b>BWR B</b> <b>(Pronounced as BWR single B)</b> <b>Outlook:Stable</b>
<b>Total</b>	<b>10.54</b>	<b>INR Ten Crores and Fifty Four Lakhs Only</b>	

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

#### Rating Assigned

#### Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financial results of the society upto FY18, projected financials up to FY20, along with publicly available information and information/clarifications provided by the Society's management.

The rating continues to factor the society's operational track record of over four decades, consistent improvement in loan portfolio, established market position as a co-operative society catering to rural financing needs in Turvihal and surrounding villages including managing fertilizer distribution to farmers, locational advantages of the society and It also factors in the State Government support in the form of interest subsidy. However the ratings are constrained by periodic loan/interest waivers, small scale and regionally concentrated nature of the society's operations, its exposure to customers with modest credit profile and vulnerability to agro - climatic risks. The rating also factors in the entity's limited financial flexibility and the limited regulatory supervision of cooperative societies.

Going forward, the ability of the society to obtain interest subsidy payments on time from the State Government, increase its loan portfolio while maintaining the asset quality, profitability and capital structure, diversify the resources profile and effectively manage inventory levels will be the key sensitivities.



## Description of Key Rating Drivers

- **Credit Strengths:** Established Track Record: Primary Agriculture Cooperative Society Limited, Turvihah has an established track record of over four decades in this industry. Consistent improvement in loan portfolio: The society's loan portfolio (both Members Crop Loan & Non Agricultural loans) has increased from Rs. 4.60 Crs in FY16 to Rs.5.65 Crs in FY17 to Rs. 5.67 Crs in FY18.
- **Credit Risks:** Small scale and regional concentration: The Society's scale of operations has remained low with marginal increase in total operating income for the last three years. The operation of PACS Turvihah is limited to Turvihah and surrounding villages. Limited financial flexibility: PACS Turvihah's sources of revenue are interest income and sale of fertilizers. However, the society is dependent on Banks for funds. Fertilizer distribution and PDS are also highly regulated and prices fixed by the Government.

## 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 **Primary Agriculture Co-operative Society Ltd - Turvihah** 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 Society

Primary Agriculture Cooperative Society Limited, Turvihah, Karnataka is a credit co-operative society registered under Karnataka Co – operative Societies' Act 1959. The society was incorporated in October 1976 with the objective of providing timely and affordable credit and other services to its members (farmers) like input facilities in the form of cash or kind component. The society is also engaged in the supply of fertilizers to the members at a subsidized rate. The society buys fertilizers from IFFCO etc and distributes it to the farmers with nominal margin of one to two per cent.

The society consists of 1947 members as on March 31, 2018 against 1791 members as on March 31 2017. The society provides maximum loan upto Rs 3 Lakhs to its farmers. The society issues interest free agricultural loan to its members and it receives 6.90% interest from the State Government and 3% from the Central Government.

The society is managed by Mr. Shekhargouda Devarmani ( President) & Mr. Hanumath B (Vice President), who are elected by the members. The society has one warehouse in Turvihah, with a total capacity of 250 metric tons along with one complex consisting of 4 shops(Marata Malige/Bazar) in



Turvihal. The members of the society and State Government (including district panchayat) hold 97.84 percent and 2.16 percent of total share capital respectively in FY18.

### Company Financial Performance

PACS Turvihal reported total operating income of Rs.0.80 Crs in FY18 as against Rs.0.62 Crs in FY17. PAT improved from Rs 0.07 Crores in FY 17 to Rs 0.13 Crores in FY 18. Net worth stood at Rs. 0.99 Crores as of March 31 2018. Total debt stood at Rs 8.21 Crs as on March 31, 2018.

### Rating History for the last three years

S.No	Facility	Current Rating (2018)			Rating History		
		Type	Amount (₹ Crs)	Rating	2017	2016	2015
	<b>Fund Based</b>	Long Term	10.54	<b>BWR B</b> (Pronounced as BWR single B) Outlook:Stable	<b>Not rated</b>		
	<b>Total</b>		<b>10.54</b>	<b>₹ Ten Crores and Fifty Four Lakhs Only</b>			

Status of non-cooperation with previous CRA -Reason and comments: Nil

Any other information: Nil

### Key Financial Indicators

Key Parameters	Units	2015	2016	2017	2018	2019	2020
Result Type		Audited	Audited	Audited	Audited	Projections	Projections
Total Operating Income	₹ Cr	1.32	0.76	0.62	0.80	0.47	0.48
PAT	₹ Cr	(0.03)	0.10	0.07	0.13	0.16	0.15
Tangible Net worth	₹ Cr	0.29	0.61	0.82	0.99	1.06	1.08
Spread	%	0.02	0.02	0.04	0.07	0.03	0.03

### Hyperlink/Reference to applicable Criteria

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



- [Infrastructure Sector](#)
- [Short Term Debt](#)

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](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).

**About Brickwork Ratings**

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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. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 13,22,500 Cr. In addition, BWR has rated over 7000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹62,000 Cr have been rated.

BWR has rated over 30 PSUs/Public Sector banks, as well as many major private players. BWR has a major presence in ULB rating of nearly 102 cities

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