



RATING RATIONALE

16 November 2021

Primary Agriculture Co-operative Society Ltd - Tidigol

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹. 24.75 Crores of Primary Agriculture Co-operative Society Ltd - Tidigol.

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating#	
	Previous	Present		Previous (March, 2020)	Present
Fund based	30.00	24.75	Long Term	BWR B Stable Issuer Not Cooperating* (Downgraded)	BWR B Stable (Reaffirmed)
Total	30.00	24.75	INR Twenty Four Crores and Seventy Five Lakhs Only		

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

*Issuer did not cooperate; based on best available information

Complete details of Bank facilities is provided in Annexure-I

RATING ACTION/OUTLOOK

BWR has reaffirmed the rating at BWR B with a Stable Outlook and removed the rating from the “Issuer Not Cooperating” category for the Bank loan facilities of Primary Agriculture Co-operative Society Ltd-Tidigol.

The Rating derives strength from the established track record of the society and growing membership base and overall business prospects. However, the rating is constrained by small scale of operations and regional concentration and limited financial flexibility.

The rating outlook has been assigned as “Stable” as BWR believes that Primary Agriculture Co-operative Society Ltd-Tidigol 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 revenue and financial risk profile shows sustained improvement. The rating outlook may be revised to “Negative” if the financial risk profile goes down.



KEY RATING DRIVERS

BWR has essentially relied upon the audited financial statements of FY18, FY19, FY20 of Primary Agriculture Co-operative Society Ltd-Tidigol and provisional financials of FY21, publicly available information/clarifications provided by the entity's management.

DESCRIPTION OF KEY RATING DRIVERS

Credit Strengths:-

- **Established Track record of society-** The society has an established track record of over four decades in the industry.
- **Growing membership base and overall business prospects-** The number of members of society increased to 2357 in FY20 from 2238 in FY19 and increased further to 2405 in FY21. Further the amount of loans issued to members increased from Rs. 15.17 crore in FY19 to Rs.18.72 crore in FY20 and further to Rs. 34.56 crore in FY21.

Credit Weaknesses:-

- **Small scale of operations and regional concentration-** The society's scale of operations has remained low with total income of Rs. 7.32 crore in FY20 and Rs. 9.02 crore in FY21(Provisional) and Networth of Rs. 8.61 crore in FY20 and Rs. 9.72 crore in FY21(Provisional). The operations of society is limited to 7 villages viz. Tidigol, Nidigol, D. Uppaladoddi, Matur, Uppaladoddi, Kanihal and Bappur.
- **Limited financial flexibility-** PACS Tidigol'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 AND APPLICABLE RATING CRITERIA

The Analytical approach used is Standalone. 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 SENSITIVITIES

Going forward the ability of the society to increase its scale of operations and manage its working capital efficiently would be the key rating sensitivities.

Positive:

The rating may be upgraded if the society manages to achieve its envisaged growth by maintaining its overall risk profile

Negative:

The rating may be downgraded if there is a deterioration in the overall financial risk profile of society.

LIQUIDITY POSITION - STRETCHED

The society has availed Crop Loan of Rs. 24.75 crore from State Bank of India and has no major term loan from Bank. However, the average utilization of Crop loan is 97% for the last 6 months

which is on the higher side. The cash and cash equivalents of society stood at Rs. 0.18 crore in FY20.

SOCIETY PROFILE

Primary Agriculture Co-operative Society Limited, Tidigol, Karnataka is a credit co-operative society registered under Karnataka Co-operative Societies’ Act 1959. The society was incorporated on October 27, 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 KRIBHCO, IFFCO etc and distributes it to the farmers.

The society consists of 2357 members as on 31 March 2020 as against 2238 members as on 31 March 2019. The number of members as on 31 March 2021 were 2405. The society provides maximum loan upto Rs. 3 lakhs to its members and interest free agriculture loan to its members. The society is managed by Mr. Neelakantha Bajegouda(Chief Executive Officer) and Mahanthesha Maski(President), who are elected by members.

Financial Performance

PACS Tidigol reported Net Interest Income of Rs. 0.94 crore in FY19 and Rs. 1.15 crore in FY20. The Net Interest Margin as per FY21(Provisional) stood at Rs. 1.20 crore. The society reported PAT of Rs. 0.72 crore in FY19 and Rs. 0.92 crore in FY20. The PAT stood at Rs. 1.02 crore as per FY21(Provisional). The Tangible Net-worth of society stood at Rs. 7.03 crore as on 31 March 2019 and Rs. 8.61 crore as on 31 March 2020. The Networth stood at Rs. 9.72 crore as on 31 March 2021(Provisional). The Cash and cash equivalents of the society stood at Rs. 0.18 crore as on 31 March 2020 and Rs. 0.63 crore as on 31 March 2021(Provisional).

KEY FINANCIAL INDICATORS

Key Parameters	Units	FY19	FY20	FY21
Result Type		Audited	Audited	Provisional
Net Interest Income	Rs. Crs	0.94	1.15	1.20
PAT	Rs. Crs	0.72	0.92	1.02
Tangible Net worth	Rs. Crs	7.03	8.61	9.72
Total Debt/Tangible Net worth	Times	3.38	3.68	3.01
Return on Asset	%	1.91	1.84	2.34
Return on Equity	%	5.10	5.36	5.23
Spread	%	2.46	2.59	2.24

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED- NONE

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY- NA

ANY OTHER INFORMATION-NA

RATING HISTORY(including suspension and withdrawal)

S.No	Facility	Current Rating			Rating History		
		Type	Amount (₹ Crs)	Rating	2020	2019	2018
1	Fund Based	Long-Term	24.75	BWR B Stable (Reaffirmed)	<u>24.03.2020</u> BWR B Stable Issuer Not Cooperating* (Downgraded)	-	<u>29.03.2018</u> BWR BB- Stable (Assigned)
Total			24.75	INR Twenty Four Crores and Seventy Five Lakhs Only			

*Issuer did not cooperate; based on best available information

COMPLEXITY LEVEL OF THE INSTRUMENTS

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.

HYPERLINK/REFERENCE TO APPLICABLE CRITERIA

[Criteria-GeneralCriteriaUpdated.pdf \(brickworkratings.com\)](#)

[Criteria-FinancialRatiosUpdated.pdf \(brickworkratings.com\)](#)

[Criteria-BanksFinancialInstitutions-v1.1.pdf \(brickworkratings.com\)](#)

[Criteria-TradingEntitiesUpdated.pdf \(brickworkratings.com\)](#)

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Annexure-I
Primary Agriculture Co-operative Society Ltd-Tidigol
Details of Bank Loan Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facility	Long Term [Rs. Crs]	Short Term [Rs. Crs]	Total [Rs. Crs]
1	State Bank of India	Crop Loan	24.75	-	24.75
TOTAL					24.75

Total Rupees Twenty Four Crores and Seventy Five Lakhs Only

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