

## Rating Rationale

### Prymari Agriculture Co-Op Rative Society Limited - Chikkajanthakal

23<sup>rd</sup> November 2017

Brickwork Ratings assigns “BWR B+” for the Bank Loan Facilities of Rs.4.52 Crs of Prymari Agriculture Co-Op Rative Society Limited (PACS), Chikkajanthakal

#### Particulars

Facility Rated	Amount(Rs. Crs)	Tenure	Rating *
Fund Based # Crop Loan - ACC	4.52	Long Term	<b>BWR B+</b> (pronounced BWR Single B Plus) <b>Outlook: Stable</b>
<b>Total</b>	<b>4.52</b>	<b>(INR Four Crores and Fifty Two Lakhs Only)</b>	

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

# Annexure I shows the bank wise facilities

#### Rating assigned

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

BWR has essentially relied upon the audited financial results of the society upto FY17, publicly available information and information/clarifications provided by the management.

The rating draws strength from the society’s operational track record of over four decades, consistent growth in loan portfolio, established market position as a co-operative society catering to rural financing needs in Chikkajanthakal, Hosalli, Nagarahalli and Vipra including managing fertilizer distribution to farmers, locational advantages of the society and low outstanding amount per borrower. It also factors in the State Government support in the form of interest subsidy. These rating strengths are partially offset by the 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 & capital structure, diversify the resources profile and effectively manage inventory levels will be the key sensitivities.

### **Rating Outlook: Stable**

BWR believes **Prymari Agriculture Co-Op Rative Society Limited- Chikkajanthakal's** 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.

### **Key rating drivers**

#### **Credit Strengths**

**Established Track Record:** Prymari Agriculture Co-Op Rative Society Limited, Chikkajanthakal has an established track record of over four decades in this industry.

**Consistent growth in loan portfolio:** The society's loan portfolio (both Members Crop Loan & Non Agricultural loans) has increased from Rs. 3.08 Crs in FY16 to Rs.3.35 Crs in FY17.

#### **Credit weaknesses**

**Small scale and regional concentration:** The Society's scale of operations has remained low at Rs.0.87 Crs and there has been marginal decrease in total operating income for the last three years. The operation of PACS Chikkajanthakal are limited to 4 villages viz. Chikkajanthakal, Hosalli, Nagarahalli and Vipra.

**Limited financial flexibility:** PACS Chikkajanthakal's sources of revenue are interest income and sale of fertilizers & agricultural equipment. However, the society is dependent on Banks for funds. Fertilizer distribution is also highly regulated and prices fixed by the Government.



## **Analytical approach**

BWR has applied its rating methodology as detailed in the Rating Criteria (hyperlinks provided at the end of this rationale)

## **About the Society**

Prymari Agriculture Co-Op Rative Society Limited, Chikkajanthakal, 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 with nominal margin of one to two per cent.

The society consists of 1620 members as on March 31, 2017. Out of 1620 members, loans have been granted to 389 members of the society. The society provides maximum loan upto Rs 3 Lakhs to its farmers. The society charges uniform interest of 10 per cent per annum to its members where the members pay interest at 0 -1 per cent per annum based on the amount of the loan and the balance is subsidized by the Government of Karnataka.

The society is managed by Mr. H. Manjunath (President) & Mr. A. Satyanarayana (Chief Executive Officer), who are elected by the members. The members of the society and State Government hold 90.45 per cent and 9.55 per cent of the total share capital respectively in FY 17.

## **Financial Performance**

PACS Chikkajanthakal reported net interest income of Rs.0.32 Crs for FY17 as against Rs.0.44 Crs for FY16. PAT decreased from Rs 0.18 Crores in FY 16 to Rs 0.05 Crores in FY 17. Net worth stood at Rs.1.10 Crores as of March 31 2017. Total debt stood at Rs 4.88 Crs as on March 31, 2017. Society has interest rate spread of 3% as on March 31 2017.

**Rating History for the last three years: (including withdrawn/suspended ratings)**

Sl. No.	Instrument /Facility	Current Rating (November 2017)			Rating History		
		Type (Long Term/ Short Term)	Amount (Rs. Crs)	Rating	2016	2015	2014
<b>1</b>	<b>Fund Based</b>	<b>Long Term</b>	<b>4.52</b>	<b>BWR B+ (Stable) Assigned</b>	-	-	-
	<b>Total</b>		<b>4.52</b>	<b>(INR Four Crores and Fifty Two Lakhs Only)</b>			

**Hyperlink/Reference to applicable Criteria**

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Banks & Financial Institutions](#)
- [Trading Entities](#)

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## Annexure I

### Prymari Agriculture Co-Op Rative Society Limited - Chikkajanthakal

#### Bank Facilities Details

<b>Bank</b>	<b>Facility</b>	<b>Amount Rated ( Rs Crs)</b>
State Bank of India, Gangavathi	Crop Loan - ACC*	4.52
<b>Total</b>		<b>4.52</b>

*\*Agricultural Crop Credit*

## Annexure II

### Key Financial Indicators

		<b>FY 16</b>	<b>FY 17</b>
Total Operating Income	Rs. Crs	1.32	0.87
EBIDTA	Rs. Crs	0.19	0.06
PAT	Rs. Crs	0.18	0.05
Networth	Rs. Crs	1.02	1.10
Avg. Yield on Advances	Times	0.15	0.10

### **For print and digital media**

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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**

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been 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 Nationalized 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, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

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