



Rating Rationale

Sagar Agro Inputs

October 30, 2017

Brickwork Ratings assigns ratings for the Bank Loan Facilities of Rs. 8 Cr of M/s Sagar Agro Inputs or “(SAI)”.

Particulars

Facility Rated	Rating Amount (Rs. Crs)	Tenure	Rating ^
Cash Credit (Fund Based)	8.00	Long Term	BWR BB- (Pronounced BWR Double B Minus) (Outlook-Stable) Assigned
Total	Rs. 8.00 Crores (INR Eight Crores Only)		

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

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financial results up to FY16, provisional financials of FY17, projected financials of M/s Sagar Agro Inputs up to FY19, publicly available information and information/ clarifications provided by the concern’s management.

The rating draws strength from the long existence of the concern, experience of the promoters in the agricultural seed industry, reputed board of directors, adequate liquidity, abundant availability of seeds due to proximity to the agricultural belt and long standing and strategic relationship with farmers and customers. However, the rating is constrained by low net worth levels, stretched capital structure, thin profit margins, elongated cash conversion cycle; which will increase the dependency upon the external working capital borrowings and competition from existing organized and unorganized players in the industry.

Going forward, the ability of the concern to achieve projected revenues and profitability margins and manage working capital would be the key rating sensitivities.

Key Rating Drivers:

Strengths:

Long existence of the concern and experience of the management:



Sagar Agro Inputs (SAI) was established in the year 1990 by Mr. Sanjay Kumar Jain. The concern has an existence over 25 years and has seen three complete business cycles. Mr. Sanjay Kumar Jain is associated with the concern from the establishment and having extensive experience in the agricultural seed industry.

Long standing relationship with farmers and customers:

The firm has a team of farmers who grow seeds for the concern and having a long-standing relation with them. Most of the customers and suppliers of the concern has more than 10 years of the relationship with the firm.

Adequate liquidity position:

The concern has adequate liquidity ratio as reflected by 1.52 times in FY17, which indicates the concern's ability to meet its short-term obligations.

Weaknesses:

Stretched capital structure:

Sagar Agro Inputs has high debt to equity ratio of 3.86 times in FY17. Due to low net worth and high outside borrowings has stretched the capital structure of the firm.

Average financial position:

During FY17, The concern has average financial position as reflected NCA to total debt of 0.05 times and average interest coverage ratio of 1.27 times .

Rating Outlook: Stable

BWR believes that **Sagar Agro Inputs** 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 Concern

Sagar Agro Inputs (SAI) was established in the year 1990 by Mr. Sanjay Kumar Jain and it is a family managed business. SAI undertakes cleaning and grading of quality seeds e.g. Soyabean, wheat, gram etc. Presently, Mr. Sanjay Kumar Jain is the proprietor of the concern. The concern has its seed-processing unit in Ujjain and Alot with an installed capacity of 72000 Quintal per

year and utilized capacity in between 70.00% to 75.00%. The concern sells its product under the brand name “Anmol Seeds” to the dealers and farmers. The concern has its own farming land for the growing of seeds in Dharola, Bibrod and Kalsya.

Concern Financial Performance

Parameters (Rs. Crs)	FY16 (A)	FY17(P)
Total operating income	19.14	19.54
EBIDTA	1.66	1.71
Profit after tax (PAT)	0.16	0.44
Net worth	3.17	3.42
Current ratio	6.63 Times	1.52 Times

A: Audited, P: Provisional

Total operating income of Sagar Agro Inputs (SAI) has improved to Rs. 19.54 Crs in FY17 as against Rs. 19.14 Crs in FY16.

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

Instrument/ Facility	Current Rating (Year 2017)			Rating History		
	Type (Long Term/Short Term)	Amount (Rs Crs)	Rating	2016	2015	2014
Fund Based	Long Term	8.00	BWR BB- (Stable) Assigned	Nil	Nil	Nil
				Nil	Nil	Nil
Total		Rs. 8.00 Crs (INR Eight Crores Only)				

Hyperlink/Reference to Applicable Criteria

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

For any other criteria obtain hyperlinks from website

Analytical Contacts	Media
<u>Ms. Vipula Sharma</u> Deputy General Manager	media@brickworkratings.com
analyst@brickworkratings.com	Relationship Contact
	bd@brickworkratings.com
Phone: 1-860-425-2742	

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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, 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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