

Rating Report

Brickwork Ratings upgrades the Rating to 'BWR B+' from 'BWR B' to the Bank Loan Facilities aggregating to ₹ 5.45 Crores of Agro Leader Pipes & Products Pvt Ltd.

Brickwork Ratings has upgraded the following **Ratings¹** for the Bank Loan Facilities amounting to ₹5.45 Crores of Agro Leader Pipes & Products Pvt Ltd sanctioned by Bank Of Baroda.

Facility	Limits (₹ Crores)		Tenure	Rating History	Rating
	Previous	Present			
Fund Based Cash Credit	5.00	5.00	Long Term	BWR B (Pronounced BWR Single B) (Outlook-Stable)	BWR B+ (Pronounced BWR Single B Plus) (Outlook-Stable) (Upgraded)
Term Loan	0.85	0.45			
Total	5.85	5.45	INR Five crores Forty Five lakhs only		

BWR has principally relied upon the audited financial results up to FY15, projections of FY16 and the publicly available information/clarifications provided by the company's management. The ratings continues to be constrained by small scale of operations, high leverage in FY15 with weak debt protection metrics, low profitability margins and inability to achieve the projections. However, the rating continues to factor the experience of the promoters. BWR considers the increase in revenue in FY15, improved operating cycle marked with improve days of receivables and inventory, which will help the company to improve its scale of operation going forward and also the revenue achieved till march 2016.

Background:

The company "Agro Leader Pipes And Products" was incorporated in the 2011. Its registered office is situated in Khargone, Madhya Pradesh. It is involved in the manufacture of plastic pipes (drip pipes) and other agricultural products which are used for the irrigational purpose. It manufactures plastic pipes or drip lines of 12mm and 16mm diameter for the drip irrigation assembly. The company trades screen filters, fertilizer tank assembly, venturi assembly and disc filter which are procured from the third party manufacturers. The company has a manufacturing capacity of 60000 meters/day and a capacity utilization of 33%.

¹ Please refer to www.brickworkratings.com for definition of the Ratings

The drip irrigation products are sold under subsidy scheme of central and state governments. Under subsidy scheme, the company has to sell drip lines along with other products for drip irrigation assembly. In open market the company just sells the pipes. It sells its ISI certified and non-certified products under the brand name "Agro Leader" and "Agro Leader Gold" respectively. These products are sold under the central and state government in Madhya Pradesh and without subsidy to dealers in Maharashtra and Rajasthan.

The rating favourably considers the following aspects stated below:

Increase in revenue: The sales have increased from ₹4.21 crores in FY13 to ₹11.07 crores in FY14.

Improved operating cycle: The operating cycle has decreased as a result of improvement in the days receivables and the inventory which are 144 and 76 respectively.

Revenue achieved till March 2016:

The company has achieved till now a revenue of ₹14 crores- reflecting business growth.

The rating is constrained by the following factors:

Modest scale of operations : The company has networth of ₹1.41crores and a has a revenue of ₹11.07 crores in FY15 indicating the scale of operations to be modest.

High leverage : The company has debt equity of 4.10 times in FY15 due to low networthresulting in low solvency in the company.

Low profitability margins: The company net profit margin of 0.83% and an operating profit margin of 7.43 times in FY15.Low net profit due to high interest charges.

Financial Performance:

During FY15, the total revenue of the company was ₹11.07crores. The operating profit margin is 7.43% in FY15. The debt equity ratio is 4.10 times. The tangible net worth is ₹1.41 Crores as at 31st March,2015.

Rating Outlook:

Going forward, the ability of the company to improve scale of operations, profitability and capital structure will remain the key rating sensitivities.

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Agro Leader Pipes & Products Pvt Ltd
Annexure1:Profit and Loss in Brief(₹Crores)

Crores	FY13	FY14	FY15
Result Type	Audited	Audited	Audited
Gross Sales	2.84	4.21	11.07
Net Sales	2.84	4.21	11.07
Total Operating Income	2.84	4.21	11.07
Raw Material Consumed	3.07	2.32	7.42
Change In Inventory (Increase)/Decrease	-1.60	0.16	1.10
Power and Fuel Expenses	0.16	0.11	0.23
Employee Cost	0.10	0.18	0.47
Manufacturing Expenses	0.02	0.07	0.34
Cost of Goods Sold	1.76	2.84	9.56
Selling, General and other Administrative expenses	0.60	0.48	0.69
Operating Expenses	2.36	3.32	10.25
OPBDIT	0.48	0.89	0.82
Depreciation/Amortization/Impairment	0.11	0.08	0.06
OPBIT	0.37	0.81	0.76
Interest and Finance Charges	0.30	0.70	0.62
OPBT	0.07	0.11	0.14
Non Operating Income(Expenses)	0.01	0.01	0.01
PBT	0.08	0.12	0.15
Extraordinary /Prior Period - Income(Expense)	0.00	0.00	0.00
Provision for Taxes	0.06	0.05	0.06
PAT(Continuing Operations)	0.02	0.07	0.09
PAT	0.02	0.07	0.09

Annexure 2:Balance sheet(₹Crores)

Crores Liabilities	FY13 Audited	FY14 Audited	FY15 Audited
EQUITY AND RESERVES	1.25	1.32	1.41
Share capital	1.23	1.23	1.23
Reserves and Surplus	0.02	0.09	0.18
Non-current liabilities	2.27	2.41	2.29
Long-Term Borrowings	2.22	2.33	2.18
Deferred tax Liabilities (Net)	0.04	0.08	0.11
Current liabilities	3.06	3.38	5.08
Short-Term Borrowings	2.42	2.50	3.27
Current Portion Of Long Term Debt	0.20	0.24	0.32
Trade Payables	0.09	0.16	1.06
Other Current Liabilities	0.29	0.44	0.39
Short-Term Provisions	0.05	0.05	0.04
Total Liabilities	6.58	7.11	8.78
ASSETS			
Non-current assets	1.76	1.49	1.45
Net Fixed assets	1.66	1.39	1.33
Long Term Loans and Advances	0.09	0.11	0.12
Current assets	4.82	5.62	7.33
Inventories	2.66	2.31	1.68
Trade Receivables > Six Months	0.00	2.99	1.61
Trade Receivables < Six Months	1.80	0.23	3.90
Cash and Cash Equivalents	0.05	0.07	0.04
Short-Term Loans and Advances	0.29	0.02	0.06
Other Current Assets	0.02	0.02	0.03
Total Assets	6.58	7.11	8.78