

Rating Report

Brickwork Ratings assigns 'BWR B+' & 'BWR A4' for the Bank Loan Facilities aggregating ₹ 7.50 Cr of M/s Arun Agriculture.

Brickwork Ratings has assigned the following **Ratings**¹ for Bank Loan Facilities of M/s Arun Agriculture (*The Firm*).

Facility	Limits (₹ Cr)	Tenure	Rating
Fund Based: Cash Credit	2.50	Long Term	BWR B+ (Pronounced BWR B Plus) (Outlook : Stable)
Non Fund Based: Bank Guarantee	5.00	Short Term	BWR A4 (Pronounced BWR A Four)
Total	7.50	INR Seven Crores and Fifty Lakhs only	

BWR has essentially relied upon the audited financials up to FY 13, projected financials of FY14 & FY15, publicly available information and information/clarifications provided by the firm.

The ratings have favorably taken into account the vast experience of the partners in dealership business, the firm's established market presence in few districts of Chhattisgarh and absence of long term external debt. However, the ratings are constrained by average financial risk profile marked by moderate gearing ratio, low capital base and thin profitability margins. The ratings are also constrained by stiff competition and demand for tractors in the area of its presence.

Background

M/s Arun agriculture was established in 1996 and registered office is located at Deopuri, Raipur. Firm is authorized dealer from Mahindra and Mahindra for Tractors and agricultural equipments. There are eight retail outlets across Rajnandgaon, Gariaband and Balod districts of Chhattisgarh. Firm deals with different models of tractors ranging from 15Hp to 60 HP.

The firm partners are Mr. Arun Kumar Agrawal and Mrs. Keshri Devi Agrawal. Mr. Arun Kumar Agrawal has two decades of experience in the dealership business.

Financial Performance

During FY13, net revenue from operations increased from Rs. 65.77 Cr in FY12 to Rs. 74.49 Cr in FY13. The firm operating and net profit margins reported at 1.44 per cent and 0.39 per cent in FY13 against operating and net profit of 1.69 per cent and 0.24 per cent during FY12. The

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

tangible net-worth of the firm reported at Rs. 1.56 Cr during FY13. The firm has brought unsecured loans of Rs. 0.73 Cr from family and friends. The firm has no external long term borrowings from banks. The firm has stretched liquidity position reflected from current ratio of 1.10 times in FY13. Operating cycle of the firm is 41 days during FY13. Financials are presented in Annexure-I and Annexure-II.

Rating Outlook:

The outlook of the firm for the next one year is expected to be stable. Going forward, ability of the firm to sustain the profitability margins, to improve capital base and to manage working capital will remain key rating sensitivities.

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Annexure I			
Arun Agriculture			
Statement of Profit and Loss		In ₹ Crores	
	31-03-2011 (Audited)	31-03-2012 (Audited)	31-03-2013 (Audited)
Gross Sales	59.80	65.77	74.49
Operating Income	0.56	0.72	0.91
Total Operating Income	60.36	66.49	75.40
Operating Expenses	59.44	65.37	74.31
Operating Profit Before Depreciation, Interest and Taxes	0.92	1.12	1.09
Depreciation	0.06	0.08	0.08
Operating Profit Before Interest and Tax	0.86	1.04	1.01
Interest and Finance Charges	0.79	0.96	0.93
Operating Profit Before Tax	0.07	0.08	0.08
Non- Operating Income(Expenses)	0.06	0.08	0.21
Profit Before Tax	0.13	0.16	0.29
Provision for Taxes	0.00	0.00	0.00
Profit After Tax	0.13	0.16	0.29

Annexure II			
Arun Agriculture			
Balance Sheet	In ₹ Crores		
	31-03-2011 (Audited)	31-03-2012 (Audited)	31-03-2013 (Audited)
EQUITY AND LIABILITIES			
Equity and Reserves	1.34	1.63	1.56
Partners Capital	1.21	1.47	1.27
Reserves and Surplus	0.13	0.16	0.29
Non-current liabilities	0.68	0.82	0.73
Loans from Promoters and family members	0.68	0.82	0.73
Current liabilities	9.66	10.32	9.48
Short-Term Borrowings from Banks	0.39	1.08	0.21
Other short term borrowings	3.44	2.10	2.95
Trade Payables	2.51	3.44	1.18
Short term provisions	0.07	0.23	0.36
Other Current Liabilities	3.25	3.47	4.78
Total Liabilities	11.68	12.77	11.77
ASSETS			
Non-current assets	1.27	1.40	1.38
Net Fixed assets	0.38	0.45	0.43
Non-Current Investments	0.70	0.90	0.56
Long term Loans and advances	0.19	0.05	0.39
Current assets	10.41	11.37	10.39
Cash and Cash Equivalents	0.17	0.35	0.16
Inventory	9.15	10.30	7.76
Short-Term Loans and Advances	0.29	0.04	0.08
Trade Receivables < Six Months	0.80	0.68	2.39
Total Assets	11.68	12.77	11.77