Rating Report

Brickwork Ratings assigns 'BWR B' & 'BWR A4' for the Bank Loan Facilities aggregating ₹ 5.75 Cr of M/s Arun Agro Combine

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

Facility	Limits (₹ Cr)	Tenure	Rating
Fund Based: Cash Credit	**2.00**	**Long Term**	**BWR B (Outlook: Stable)**
Non Fund Based: Bank Guarantee	**3.75**	**Short Term**	**BWR A4** (Pronounced A Four)
Total	**5.75**	**INR Five Crores and Seventy Five 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 high 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 Agro Combine was established in 2012 and registered office is located at Deopuri, Raipur. Firm is authorized dealer from Mahindra and Mahindra for Tractors and agricultural equipments. There are six retail outlets across Raipur and Mahasamund districts of Chhattisgarh. Firm deals with different models of M& M tractors ranging from 15HP to 60 HP. The firm partners are Mr. Ashok Kumar Agrawal, Mrs. Ekta Agrawal and Mrs. Shilpi Agrawal. Mr. Ashok Kumar Agrawal has two decades of experience in the dealership business.

Financial Performance

During FY13, net revenue from operations is reported at Rs. 39.33 Cr. The firm's operating and net profit margins are at 1.49 per cent and 0.29 per cent. The tangible net-worth of the firm was at Rs. 0.61 Cr in FY13. The firm has brought unsecured loans of Rs. 0.45 Cr from family and friends. The firm has no external long term borrowings from banks. The firm has stretched

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

liquidity position reflected from current ratio of 1.07 times in FY13. Operating cycle of the firm is 32 days during FY13. Financials are presented in Annexures.

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 cycle will remain key rating sensitivities.

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Annexure I	
Arun Agro Combine	
Statement of Profit and Loss	**In ₹ Crores**
	31-03-2013 (Audited)
Gross Sales	39.33
Operating Income	0.56
Total Operating Income	**39.89**
Operating Expenses	39.30
Operating Profit Before Depreciation, Interest and Taxes	**0.59**
Depreciation	0.00
Operating Profit Before Interest and Tax	**0.59**
Interest and Finance Charges	0.50
Operating Profit Before Tax	**0.09**
Non- Operating Income(Expenses)	0.02
Profit Before Tax	**0.11**
Provision for Taxes	0.00
Profit After Tax	**0.11**

Annexure II	
Arun Agro Combine	
Balance Sheet	**In ₹ Crores**
	31-03-2013 (Audited)
EQUITY AND LIABLITIES	
Equity and Reserves	**0.61**
Partners Capital- including reserves	0.61
Non-current liabilities	**0.45**
Loans from Promoters and family members	0.45
Current liabilities	**5.82**
Short-Term Borrowings from Banks	1.38
Other short term borrowings	1.79
Trade Payables	2.60
Short term provisions	0.02
Other Current Liabilities	0.03
Total Liabilities	**6.88**
ASSETS	
Non-current assets	**0.64**
Net Fixed assets	0.02
Non-Current Investments	0.62
Current assets	**6.24**
Cash and Cash Equivalents	0.17
Inventory	5.00
Short-Term Loans and Advances	0.30
Trade Receivables < Six Months	0.77
Total Assets	**6.88**