

February 26, 2016

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	5.00	SMERA B+/Stable (Assigned)

SMERA has assigned rating of '**SMERA B+**' (**read as SMERA B plus**) to the Rs.5.00 crore long term (fund based) bank facility of Ajit Agro Industries (AAI). The outlook is '**Stable**'. The rating are constrained by the firm's high working capital intensive nature of business, low profit margins and small scale of operations. The rating also factor in the intense market competition. However, the aforementioned weaknesses are partially offset by the experienced management and proximity of the manufacturing facilities to cotton growing region.

Outlook: Stable

SMERA believes that the firm will maintain its stable business risk profile owing to the management's extensive experience in cotton ginning and oil extraction and established relations with customers. The outlook may be revised to 'Positive' if the firm registers increase in revenues and accruals while managing its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenues and accruals or elongation in the working capital cycle.

Rating Sensitivity Factors

- Scaling up of operations while managing working capital funds
- Improvement in profitability margins

About the Firm

AAI, established in 1976, is a Madhya Pradesh-based partnership firm engaged in ginning and pressing of cotton and extraction of cotton seed oil. The firm has nine oil extraction machines and the production capacity stands at around 150 quintals of cotton lint per day.

For FY2014-15, the firm reported profit after tax (PAT) of Rs.0.14 crore on operating income of Rs.15.46 crore as compared with PAT of Rs.0.21 crore on operating income of Rs.26.82 crore for FY2013-14. The net worth stood at Rs.3.97 crore as on March 31, 2015 as compared with Rs.3.43 crore a year earlier.

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