

Press Release

Padgilwar Agro Industries

July 10, 2017



Rating Assigned

Total Bank Facilities Rated*	Rs. 6.00 Cr.
Long Term Rating	SMERA B+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B+**' (read as SMERA B plus) on the Rs. 6.00 crore bank facilities of Padgilwar Agro Industries. The outlook is '**Stable**'.

Padgilwar Agro Industries (PAI), a partnership concern established in 1960 is engaged in the manufacturing of sprayers (hand operated, power sprayers, crop cutters) for the agricultural sector. The firm is led by Partners, Mr Chandrashekhar B. Padgilwar and Mr Tushar C. Padgilwar.

Key Rating Drivers

Strengths

- **Experienced management**

The partners, Mr. Chandrashekhar B. Padgilwar and Mr. Tushar C. Padgilwar possess experience of more than two decades in the above mentioned line of business.

- **Moderate financial risk profile**

The moderate financial risk profile is marked by healthy interest coverage ratio of 2.40 times and moderate gearing of 1.38 times as on 31 March, 2016. The net worth stood at Rs.3.76 crore as on 31 March, 2016.

Weaknesses

- **Small scale of operations**

The scale of operations is small with operating income of Rs.20.09 crore in FY2016-17 (Provisionals) as compared to Rs.15.16 crore in FY2015 -16.

- **Working capital intensive operations**

The operations are working capital intensive reflected in the Gross current asset days of 236 in FY2016 on account of high debtor days of 157 days. The firm has utilised 30 per cent of its working capital limit.

- **High dependence on Government customers**

The firm caters mainly to government organisations. Around ~60 percent revenue is generated from MAIDC Agro Industries Development Corporation Limited and the balance from other entities. As a result, the firm is exposed to customer concentration risk.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the firm.

Outlook: Stable

SMERA believes that PAI will maintain a 'Stable' outlook in the medium term and continue to benefit from its long track record of operations and experienced management. The outlook may be revised to

'Positive' if the scale of operations increases substantially while also maintaining operating profitability. Conversely, the outlook may be revised to 'Negative' if the firm fails to achieve scalability amidst intensifying competition in its area of operations or if the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded or working capital requirements.

About the Rated Entity - Key Financials

For FY2015-16, PAI reported net profit of Rs.0.58 crore on operating income of Rs.15.16 crore, as compared with profit after tax of Rs.0.67 crore on operating income of Rs.27.00 crore in FY2014-15.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	SMERA B+ / Stable

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ABOUT SMERA

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