

Press Release

Agrawal Associates

September 18, 2019



Rating Withdrawn

Total Bank Facilities Rated*	Rs. 6.80 Cr.
Long Term Rating	ACUITE B (Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuité has withdrawn long-term rating of '**ACUITE B**' (**read as ACUITE B**) on the Rs. 6.80 crore bank facilities of Agrawal Associates (AA).

The withdrawal is on account of client's request and receipt of NOC from the banker. The withdrawal is in accordance with Acuité's policy on withdrawal.

Agrawal Associates (AA), a proprietorship firm established in 2002 by Mr. Mukesh Agrawal was converted into a partnership firm by Mr. Agrawal and family in 2016. The Madhya Pradesh-based firm is engaged in the processing and trading of agro products such as chick peas, soya bean and other products.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of AA to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced Partners**

AA commenced its operations from 2002. The firm is promoted by Mr. Mukesh Agrawal, who has an experience of over a decade in the agriculture industry. The extensive experience has enabled the firm to forge healthy relationships with the customers and suppliers. Acuité believes that AA will continue to benefit from its experienced management and established relationships with customers.

- **Comfortable working capital operations**

The firm has comfortable working capital cycle marked by Gross Current Assets (GCA) of 49 days in FY2019 (Provisional) as against 33 days in FY2018 and 67 days in FY2017. This is on account of low inventory holding of 25 days in FY2019 (Provisional) as against 22 days in FY2018 and debtors of 29 days in FY2019 (Provisional) as against 9 days in FY2018 and 32 days in FY2017. The cash credit facility has been utilised at around 58 per cent on an average for the six months ended 31 December, 2018.

Weaknesses

- **Modest scale of operations and low profitability**

The scale of operations is marked by decline in revenue of Rs. 60.87 crore in FY2019 (Provisional) as against Rs. 64.45 crore in FY2018 and Rs. 43.84 crore in FY2017. The profitability margins are low owing to the trading nature of business. The operating margins declined to 0.92 per cent in FY2019 as against 0.94 per cent in FY2018 and 2.01 per cent in the previous year. The PAT margin declined to 0.02 per cent in FY2019 (Provisional) as against 0.03 per cent in FY2018 from 1.12 per cent in FY2017.

- **Below average financial profile**

The financial risk profile is average marked by low net worth of Rs. 1.08 crore as on 31 March, 2019 (provisional) as against Rs. 0.63 crore as on 31 March, 2018. The gearing (debt-to-equity ratio) stood high at 6.42 times as on 31 March, 2019 (provisional) as against 8.47 times as on 31 March, 2018 and 9.32 times in the previous year. The total debt of Rs. 6.16 crore consists of working capital borrowings as on 31 March, 2019 (Provisional). The interest coverage ratio (ICR) declined to 1.13 times in FY2019 and FY2018 from 2.11 times in FY2017. In FY2019 (Provisional), the TOL/TNW stood at 6.85 times as against 8.83 times in FY2018.

• **Highly fragmented and competitive industry and Risk of capital withdrawal**

The firm is exposed to intense competition existent in the agro industry. The firm is further exposed to risk of capital withdrawal considering its partnership constitution.in the previous year.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	60.87	64.45	43.84
EBITDA	Rs. Cr.	0.56	0.61	0.88
PAT	Rs. Cr.	0.01	0.02	0.49
EBITDA Margin	(%)	0.92	0.94	2.01
PAT Margin	(%)	0.02	0.03	1.12
ROCE	(%)	7.34	8.97	14.94
Total Debt/Tangible Net Worth	Times	6.42	8.47	9.32
PBDIT/Interest	Times	1.13	1.13	2.11
Total Debt/PBDIT	Times	12.33	8.75	5.55
Gross Current Assets (Days)	Days	49	33	67

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
31-Jan-2019	Cash Credit	Long Term	6.80	ACUITE B / Stable (Downgraded from ACUITE B+/Stable)
13-Dec-2017	Cash Credit	Long Term	6.80	ACUITE B+ / Stable (Assigned)

***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	6.80	ACUITE B (Withdrawn)

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About Acuité Ratings & Research:

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