

Press Release

AGGARWAL SONS

June 29, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 15.00 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) on the Rs. 15.00 crore bank facilities of Aggarwal Sons. The outlook is '**Stable**'.

Rajasthan-based, Aggarwal Sons (AS) is a partnership firm established in 1978 by Mr. Radheshyam Goyal, Mr. Ojaswi Goyal, Mr. Satish Chander Goyal and Mr. Aman Goyal. The firm is engaged in the business as grain merchants and stockists of oils, oil seeds, anaj, pulses, guar, different types of Agro Food grains, oil cakes and allied articles and kiriyana goods. The firm is also involved in the business of Agro-Financing.

Key Rating Drivers

Strengths

- **Experienced partners**

Aggarwal Sons (AS) is engaged in the trading of agro-commodities. The established market presence of the company has helped develop long term relations with customers and suppliers. Further, the Partners, Mr. Radheshyam Goyal, Mr. Ojaswi Goyal and Mr. Satish Chander Goyal have three to four decades of experience in the industry.

- **Moderate financial risk profile**

The firm has moderate financial risk profile marked by tangible network of Rs. 5.53 crore as on 31 March, 2017 as against Rs. 3.50 crore as on FY2016. The gearing stood at 3.40 times as on 31 March, 2017 as against 4.10 times in FY2016. The total debt of Rs. 18.78 crore mainly consists of long-term debt of Rs. 9.55 crore, unsecured loans of Rs. 5.93 crore and short term debt of Rs. 3.22 crore. The interest coverage ratio (ICR) stood at 1.12 times for FY2017 as against 1.16 times in FY2016. The debt service coverage ratio (DSCR) stood at 1.12 times for FY2017 as against 1.16 times for FY2016. The total liabilities to tangible net worth (TOL/TNW) stood at 3.87 times as on 31 March, 2017 as against 4.51 times in FY2016. Further, Acuité expects the company to maintain its moderate financial risk profile in the absence of major debt funded capex plan.

Weaknesses

- **Low profit margins**

The firm has low profit margins with EBITDA margin of 1.98 percent for FY2017 as against 1.45 percent in FY2016. The low margins are on account of low value additive business.

- **Exposure to volatility in commodity prices**

The firm is exposed to volatility in prices on account of uncertain agro-climatic conditions. However, the commodity price fluctuation risk is mitigated to an extent as the firm derive maximum advantage of the prices during non-seasonal times.

Analytical Approach

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

Outlook: Stable

Acuité believes that Aggarwal Sons (AS) will maintain a stable outlook over the medium term on

account of its experienced management. The outlook may be revised to 'Positive' in case AS is able to achieve significant growth in revenue while achieving improvement in profitability, capital structure and liquidity. The outlook may be revised to 'Negative' in case the company registers decline in revenue or significant deterioration in profitability or liquidity profile.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	53.16	41.17	45.72
EBITDA	Rs. Cr.	1.05	0.60	0.64
PAT	Rs. Cr.	0.34	0.09	0.08
EBITDA Margin	(%)	1.98	1.45	1.41
PAT Margin	(%)	0.64	0.21	0.17
ROCE	(%)	7.10	6.41	11.01
Total Debt/Tangible Net Worth	Times	3.40	4.10	3.00
PBDIT/Interest	Times	1.33	1.16	1.18
Total Debt/PBDIT	Times	12.16	14.59	13.16
Gross Current Assets (Days)	Days	181	141	67

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.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	15.00	ACUITE B+ / Stable

Contacts

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About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

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