

## Malkit Agro Tech Private Limited

January 02, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	13.06 (Reduced from 13.32)	CARE BB+; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The reaffirmation in rating to the bank facilities of Malkit Agro Tech Private Limited (MAPL) remains constrained low profitability margin, highly competitive and fragmented nature of industry with lower repetition of orders from existing customer coupled with susceptibility of margins to raw material price fluctuations and seasonal nature of operations.

However, the ratings derive strength from experienced and resourceful promoters with long track record of operations along with significant improvement in scale of operations during FY24, continuous support through unsecured loan, comfortable capital structure and moderate financial risk profile.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Improvement in the TOI over and above Rs.250 crore on sustainable basis
- Improvement in the overall profitability margins with PBILDT margin and PAT margin over 8% and 3% respectively on sustainable basis
- Improvement in Total Debt/GCA over and above 1.25 times on sustainable basis

#### Negative factors

- Significant delay in scale of operations or PBILDT margin falling below 3.50% on a sustained basis.
- Any significant deterioration in the solvency position with overall gearing ratio of beyond 1.50x owing to increased working capital dependence.

**Analytical approach:** Standalone

**Outlook:** Stable

The continuation of "Stable" outlook to the bank facilities of MAPL takes into account continuing capabilities of the management due to its long track record of operations to mitigate the inherent risk related to competitive and seasonal nature of industry.

### Detailed description of key rating drivers:

#### Key weaknesses

##### Low Profitability margins

MATPL's operating profitability exhibited a stable trend with a profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin within the range of 5-7% in the past three years ended FY24. The profitability margins of the company remain low as reflected by PBILDT margin and PAT margin of 5.50% (PY: 5.80%) and 2.62% (PY: 1.97%) respectively in FY24, however, owing to growing scale of operations, company has generated gross cash accruals (GCA) of Rs.6.22 crores, against Rs. 3.73 crores achieved in FY23. PBILDT margin of the company declined due to increase in raw material cost as in FY24. Raw material cost covers 87% of the TOI as against 85% in FY23. Further PAT margin improves on account of economies of scale with stable interest and depreciation expenses.

#### Susceptibility of margins to raw material price fluctuations

The operations of company are raw material intensive in nature with the material cost constituting ~87% on an average of the total income during the FY24. Major raw material of company includes iron, tyre & engine. The prices of the iron are fluctuating in nature and the price variation is at times not completely passed on to the customers due to competitive nature of the operations. Further, company procures engine from distributor of the reputed brands which is used in manufacturing of strew reaper, the raw material used in such engines is also commodity in nature and company has lower bargaining power with its suppliers in terms of pricing. This exposes the margins to any adverse movement in the raw material prices.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

**Seasonal nature of operations**

Operations of company is highly seasonal as it directly aligned with crops harvesting seasons. Although, company has capacity of around 8 machineries per day having sales price of Rs. 25 to Rs 30 lacs per unit, however, due to seasonality of operations major revenue is booked in last two months and in second quarter of the financial year leaving its manufacturing unit underperformed during remaining tenor of financial year.

**Highly competitive and fragmented nature of industry with lower repetition of orders from existing customer**

The agriculture equipment industry is highly seasonal and price competitive due to presence of multiple unorganised and few organised players in the industry. Further, company is engaged in manufacturing of capital goods having lifespan of 2-3 years and supplies directly to farmers (which constituted almost 80% of revenue from operations) with lower repetitive orders from existing buyers. However, company has extensive team for marketing of their products which provides regular orders from new customers.

**Key strengths****Experienced and resourceful promoters with long track record of operations**

Malkit Agro Private Limited (MAPL) is led by Mr. Malkit Singh & Mr Charan Singh who has almost three decades of experience in agriculture and agriculture related equipment's. They are ably supported by the other director who also have vast experience in their respective domains. Furthermore, the promoters of the company are highly resourceful and have extended continuous financial support to the company in the past by infusing additional funds in the form of unsecured loans to fund various business requirements. The unsecured loans from directors stood at Rs. 12.96 crores as on March 31, 2024 (PY: Rs. 12.99 crore), are continue to be subordinated to bank loan.

**Growing albeit small scale of operations**

The scale of operations of the company improved though remained small. In FY24 (Audited, covering April 01 to March 31), TOI reached Rs.173.62 crores compared to Rs.111.87 crores in FY23, owing to better sales across different states coupled with subsidy given by the government on purchase of combine harvester. This growth resulted in cash accruals of Rs.6.22 crores in FY24, against the Rs.3.73 crores achieved in FY23. In the current financial year, the company has already recorded revenue of ~ Rs. 125 crores till October 31, 2024.

**Comfortable capital structure**

The capital structure of the company continues to remain comfortable and has improved during FY24 as reflected by long term debt to equity ratio and overall gearing ratio of 0.11x and 0.35x respectively as at March 31, 2024, as compared to 0.18x and 0.36x respectively as at March 31, 2023. The improvement of capital structure was majorly due to repayment of term liabilities coupled with accretion of profits in the network.

**Liquidity: Adequate**

The company has earned Gross Cash Accruals (GCA) of Rs. 6.22 crores during FY24 and is projecting to remain in similar line in FY25 as against scheduled repayment obligations of just Rs. 2.18 crores during the period. The current and quick ratio stood at a moderate level of 1.12x and 0.82x, as on March 31, 2024, as against 1.18x and 0.84x respectively as on March 31, 2023. Furthermore, operating cycle improved to 15 days during FY24 as against 35 days during FY23. However, since company is availing cash credit limit of only Rs 8.80 crores against revenue from operations of Rs.173.62 crores during FY24, average of maximum working capital utilisation of cash credit limits of the company remains high and stood at around 86.53% during the 12 months ending Sep 2024.

**Assumptions/Covenants:** Not Applicable

**Environment, social, and governance (ESG) risks:** Not Applicable

**Applicable criteria**

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

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## About the company and industry

### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Capital Goods	Agricultural, Commercial & Construction Vehicles	Construction Vehicles

Malkit Agro Tech Pvt. Ltd. (MAPL) was converted to private limited company in May 31,2012, which was earlier operating as partnership firm between Singh Brothers, Mr. Malkit Singh and Mr. Charan Singh for manufacturing and trading of self-propelled combine harvester i.e straw reaper. MATPL product portfolio includes tractor-driven combine harvester, straw reaper, rotavator, seeder and seed drill, which is manufactured from its unit located in Patiala District, Punjab.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	7MFY25 (UA)
Total operating income	111.87	173.62	125.00
PBILDT	6.49	9.54	NA
PAT	2.20	4.56	NA
Overall gearing (times)	0.36	0.35	NA
Interest coverage (times)	2.89	4.14	NA

A: Audited UA: Unaudited NA: Not Available; Note: these are latest available financial results

### Status of non-cooperation with previous CRA:

Brickwork has continued the ratings assigned to the bank facilities of Malkit Agro Tech Private Limited as "Issuer Not Co-operating" vide its press release dated July 24, 2024 on account of its inability to carryout review in the absence of requisite information from the company.

**Any other information:** Not Applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of instruments rated:** Annexure-4

**Lender details:** Annexure-5

### Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	8.80	CARE BB+; Stable
Fund-based - LT-Term Loan		-	-	July 2031	4.26	CARE BB+; Stable

**Annexure-2: Rating history for last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	4.26	CARE BB+; Stable	-	1)CARE BB+; Stable (04-Dec-23)	1)CARE BB; Stable (30-Jan-23)	-
2	Fund-based - LT-Cash Credit	LT	8.80	CARE BB+; Stable	-	1)CARE BB+; Stable (04-Dec-23)	1)CARE BB; Stable (30-Jan-23)	-

LT: Long term;

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities:** Not Applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple

**Annexure-5: Lender details**

To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of rated instruments:** CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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