Almighty Agrotech Private Limited

September 09, 2019

Rating

Facilities/Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Long-term Bank Facilities	7.36 (Enhanced from 5.96)	**CARE BB-; Stable (Double B Minus; Outlook: Stable)**	**Reaffirmed**
Total	**7.36 (Rupees Seven Crore and Thirty Six Lakh Only)**		

Details of instruments/facilities in Annexure-1

Detailed rationale

The rating assigned to the bank facilities of Almighty Agrotech Private Limited (AAPL) continues to remain constrained due to its moderate profit margins with weak liquidity. The rating also continues to remain constrained due to its presence in highly fragmented engineering industry and profit margins susceptible to raw material price fluctuation. The rating also factor in deterioration in capital structure as well as debt coverage indicators and elongation in operating cycle in FY19 (Audited-refers to the period April 01, 2018 to March 31, 2019).

The ratings, however, derive benefit from experienced directors and growth in income, though with a modest scale of operations.

AAPL's ability to increase its scale of operations with improvement its profitability, capital structure, debt coverage indicators and liquidity; alongwith efficient management of its working capital requirements are the key rating sensitivities.

Detailed description of key rating drivers

Key Rating Weaknesses

Moderate profit margins

During FY19, Profit margins remained moderate. During FY19 (A), PBILDT Margin improved marginally mainly due to decrease in power and fuel cost with other administrative expense, but remained moderate at 9.45% as against 8.78% in FY18.

Further, on account of increase in interest and finance cost on account availment of additional working capital funding to procure raw material to cater anticipated demand from their new branches located in Pune and Bangalore, PAT Margin declined by 213 bps and remained low at 1.80% during FY19 as against 3.93% during FY18.Gross Cash Accruals (GCA) of the company also remained low at Rs. 0.71 crore during FY19 as against Rs.0.66 crore during FY18.

Deterioration in capital structure as well as debt coverage indicators and elongated operating cycle in FY19

On the back of increased total debt level in form of working capital borrowing as well as unsecured loan as on March 31, 2019, capital structure of AAPL deteriorated and remained leveraged marked by overall gearing ratio of 3.48x as on March 31, 2019 as against 1.79x as on March 31, 2018.

Further, as a result of increase in debt level, debt coverage indicators also deteriorated and remained modest marked by interest coverage ratio and total debt to GCA ratio which stood at 2.26x and 11.26 years as on March 31, 2019 as against 2.53x and 5.51 years as on March 31, 2018.

Further, during FY19, operating cycle of AAPL has elongated and remained at 178 days as against 95 days during FY18 owing to increase in inventory period as a result of increase in inventory as on balance sheet date, as AAPL has procured higher inventory to meet expected increase in demand as a result of expansion of its geographical reach.

Presence in highly fragmented engineering industry

AAPL is engaged in manufacturing of plant protection equipment and is exposed to high fragmentation in the engineering goods industry, which has numerous players at the bottom of the value chain due to low entry barriers, low capital and technology requirements. Further low lead time for setting up a new plant and the lack of product differentiation reduces the entry barriers for new entrants resulting in overcapacity in industry.

Profit margins susceptible to raw material price fluctuation

Profit margins of AAPL remain susceptible to changes in its primary raw material i.e. engine parts of iron, brass and other machinery parts. Any adverse change in these material prices would affect profitability of AAPL.

[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications*

**Issuer did not cooperate; Based on best available information*

Key Rating Strengths

Experienced directors

AAPL was promoted in 1977 by Bhalani family and currently it has being run by Mr. Maheshkumar Bhalani, Mr. Jamanbhai Bhalani, Mr. Dharmeshkumar Bhalani, Mr.Pareshkumar Bhalani, Mrs. Sheetalben Bhalani, Mrs. Hetalben Bhalani and Mrs. Chandrikaben Bhalani. All promoters have an average experience of more than three decades in manufacturing of plant protection equipment.

Consistent growth in income albeit scale of operations remain modest

During FY19, AAPL has reported further increase in its Total Operating Income (TOI) primarily due to addition of new customers in company's portfolio. However it remained modest at Rs.14.02 crore as compared to Rs.13.58 crore during FY18 (FY17:Rs.10.44 crore) .

Liquidity Analysis: Weak liquidity

Liquidity remained weak marked by low cash profit, low cash on hand, and negative cash flow from operations.
Cash and bank balance remained low at Rs. 0.01 crore as on March 31, 2019 as against Rs. 0.01 crore as on March 31, 2018. Cash flow from operating activities continued to remain negative at Rs.3.62 crore during FY19 as against negative cash flow of Rs. 0.11 crore during FY18.
Average utilization of working capital limits remained moderate at 63% for the past 12-months ended June 2019. However, its cash accruals stood low at Rs.0.71 crore in FY19, though the same is adequate against its principal repayment obligation of Rs.0.31 crore for FY20.

Analytical Approach: Standalone

Applicable Criteria

[Criteria on assigning outlook to credit ratings](#)
[CARE's Policy on Default Recognition](#)
[Rating Methodology-Manufacturing Companies](#)
[Criteria on Financial Ratios- Financial Sector](#)

About the Company

Rajkot- Gujarat based AAPL was established as a partnership firm in 1977 by Bhalani family which has been subsequently converted to private limited company in the year 2007. AAPL is managed by Mr. Maheshkumar Bhalani, Mr. Jamanbhai Bhalani, Mr. Dharmeshkumar Bhalani, Mr.Pareshkumar Bhalani, Mrs. Sheetalben Bhalani, Mrs. Hetalben Bhalani and Mrs. Chandrikaben Bhalani.
AAPL is engaged in the business of manufacturing of Plant Protection Equipments since its inception. AAPL is selling its products under brand name of 'Alap' and 'Milap'. The manufacturing facility is located at Metoda G.I.D.C. with an area of 12,000 Sq. Mt. Land and installed capacity of 450,000 agricultural sprayers as on March 31, 2019. AAPL currently possess in-house facilities for Blow Molding, Fabrication, Heat Treatment, Coating, Welding and Brazing, etc. Also have in-house inspection and testing facilities as per I.S.I. standards.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	13.58	14.02
PBILDT	1.19	1.32
PAT	0.53	0.25
Overall gearing (times)	1.79	3.48
Interest coverage (times)	2.53	2.26

A: Audited

During 5MFY20 (Prov.) (April 2019 to August 2019), AAPL has achieved the TOI of Rs. 6 Crore

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Bank Overdraft	-	-	-	5.71	CARE BB-; Stable
Fund-based - LT-Term Loan	-	-	September, 2027	1.65	CARE BB-; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Bank Overdraft	LT	5.71	CARE BB-; Stable	-	1)CARE BB-; Stable (05-Oct-18)	-	-
2.	Fund-based - LT-Term Loan	LT	1.65	CARE BB-; Stable	-	1)CARE BB-; Stable (05-Oct-18)	-	-

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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