

**Almighty Agrotech Private Limited**  
**October 05, 2018**

**Rating**

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long-term Bank Facilities	5.96	CARE BB-; Stable (Double B Minus; Outlook: Stable)	Assigned
<b>Total</b>	<b>5.96</b> <b>(Rupees Five crore and Ninety Six lakh Only)</b>		

*Details of instruments/facilities in Annexure -1*

**Detailed rationale**

The rating assigned to the bank facilities of Almighty Agrotech Private Limited (AAPL) is constrained on account of its moderate profit margins, moderately leveraged capital structure, moderate debt coverage indicators, moderate liquidity position. Further, the ratings are also constrained due to its presence in highly fragmented engineering industry with susceptibility of its profit margins to raw material price fluctuations and volatile foreign exchange rates.

The ratings, however, derives comfort from experienced directors and growth in scale of operations.

AAPL's ability to increase its scale of operations, improve profitability, improve capital structure and liquidity with efficient management of its working capital requirements are the key rating sensitivities.

**Detailed description of the key rating drivers****Key Rating Weaknesses****Moderate profit margins**

During FY18, profitability stood moderate marked by PBILDT margin and PAT margin of 8.78% and 3.93% respectively. In absolute terms, PBILDT and PAT stood low at Rs.1.19 crore and Rs.0.53 crore respectively during the year.

**Moderately leveraged capital structure and moderate debt coverage indicators**

The capital structure of AAPL remained leveraged marked by an overall gearing ratio which at 1.79x as on March 31, 2018 owing to low net worth base. The debt coverage indicators of the company also remained moderate marked by an interest coverage ratio stood of 2.53 times and total debt to GCA of 5.51 years during FY18.

**Moderate liquidity**

Liquidity of the company stood moderate marked by a long cycle of 95 days during FY18 and average working capital utilization remained 75% for past 12 months ended August 2018.

**Presence in highly fragmented engineering industry**

AAPL is engaged in manufacturing of plant protection equipments 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 and volatile foreign exchange rates**

AAPL import parts of machinery, engine parts and other machine parts from China. Thus, its business is exposed to fluctuation in raw material prices and foreign exchange rates; in absence of any active hedging policy. Hence, any adverse changes in procurement cost or foreign exchange rates may have a negative impact on its profit margins.

**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.

**Growth in scale of operation**

The scale of operations, marked by total operating income (TOI), increased consistently over past three years ended FY18 with a CAGR (Compound Annual Growth Rate) of 35.31% for the past three years ended FY18. During FY18, AAPL has registered a growth of 30% in its Total Operating Income and stood modest at Rs. 13.58 crore as compared to Rs. 10.44 crore during FY17.

**Analytical approach:** Standalone

**Applicable Criteria**

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Rating Methodology-Manufacturing Companies](#)

[Financial ratios – Non-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 being 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 Equipment 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 4,50,000 agricultural sprayers as on March 31, 2018.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	10.44	13.58
PBILDT	1.30	1.19
PAT	0.54	0.53
Overall gearing (times)	2.41	1.79
Interest coverage (times)	2.88	2.53

A: Audited

Till September 15, 2018 in current year, AAPL has registered TOI of Rs.9.62crore.

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

**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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

**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-Term Loan	-	-	October 2027	1.76	CARE BB-; Stable
Fund-based - LT-Bank Overdraft	-	-	-	4.20	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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Bank Overdraft	LT	4.20	CARE BB-; Stable	-	-	-	-
2.	Fund-based - LT-Term Loan	LT	1.76	CARE BB-; Stable	-	-	-	-

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