

September 11, 2014

Facility	Amount (Rs. Crore)	Rating
Proposed Cash Credit	5.00	SMERA B+/Stable (Assigned)

SMERA has assigned a rating of '**SMERA B+**' (**read as SMERA single B plus**) to the Rs.5.00 crore bank facility of Adarsh Food Products Private Limited (AFPPL). The outlook is '**Stable**'. The rating is constrained by the company's small-scale operations and low operating profit margin amidst intense competition in the agricultural commodities business. The rating is further constrained by the susceptibility of the company's profit margins to volatility in commodity prices. However, the rating is supported by the company's experienced management, low leverage (debt-equity ratio) and efficient working capital management.

AFPPL, incorporated 1981, is a Delhi-based company engaged in processing and trading of food grains and pulses. AFPPL has small-scale operations with revenues of Rs.59.64 crore in FY2013-14 (refers to financial year, April 01 to March 31). The company's operating profit margin is low at 0.45 per cent in FY2013-14. AFPPL faces intense competition from several players in the agricultural commodities industry. The company's profit margins are highly susceptible to volatility in commodity prices.

AFPPL benefits from its experienced management. Mr. Anil Jindal, managing director of AFPPL, is a second-generation entrepreneur with around 10 years of experience in the company's line of business.

AFPPL's total debt comprises loans for purchase of equipment and vehicles. The company's leverage (debt-equity ratio) is low at 0.15 times as on March 31, 2014. AFPPL does not avail working capital loans at present. The company's efficient working capital management is reflected in collection period of 11 days and payment period of 20 days in FY2013-14.

Rating sensitivity factors

- Scaling up of operations with improvement in profit margins
- Maintaining efficient working capital management

Outlook: Stable

SMERA believes AFPPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company achieves sustained improvement in profit margins while maintaining a comfortable working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of

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significant decline in the company's profit margins, or in case of stretch in the company's working capital cycle.

About the company

AFPPL, incorporated in 1981, is a Delhi-based company managed by Mr. Anil Jindal. AFPPL is engaged in processing and trading of food grains and pulses. The company's product portfolio includes wheat, chickpeas (channa), black gram (urad daal) and split red lentils (masoor daal). AFPPL caters to Punjab State Civil Supplies Corporation and Himachal Pradesh State Civil Supplies Corporation. The company has a processing unit in Sonepat (Haryana) with installed capacity of 31,200 metric tonnes per annum (MTPA).

For FY2013-14, AFPPL reported profit after tax (PAT) of Rs.0.10 crore on revenues of Rs.59.64 crore, as compared with PAT of Rs.0.04 crore on revenues of Rs.39.79 crore in FY2012-13. AFPPL's net worth stood at Rs.2.50 crore as on March 31, 2014, as compared with Rs.2.06 crore a year earlier.

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