



SMERA RATINGS LIMITED

Amritsar Rice Land (ARL)

Rating
RationaleSeptember 29, 2014

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	10.00	SMERA B/ Stable (Assigned)
Term Loan	7.60	SMERA B/ Stable (Assigned)

SMERA has assigned a long-term rating of '**SMERA B**' (read as **SMERA single B**) to the Rs.17.60 crore bank facilities of Amritsar Rice Land (ARL). The outlook is '**Stable**'. The rating is constrained by the firm's high leverage (debt-to-capital ratio) and low net profit margin. The rating is further constrained by the firm's exposure to agro-climatic risk and intense competition in the rice processing industry. However, the rating is supported by the firm's experienced management. The rating draws comfort from the healthy demand for basmati rice in the firm's key markets. The rating is also supported by the strategic location of the firm's processing unit.

ARL, established in 2013, is an Amritsar-based partnership firm engaged in processing and trading of rice. ARL's leverage (debt-to-capital ratio) is high at 5.85 times (provisional) as on March 31, 2014. The firm's net profit margin is low at 0.74 per cent (provisional) in FY2013-14 (refers to financial year, April 01 to March 31). ARL's operations are susceptible to adverse climatic conditions which may affect the availability of paddy. The firm faces intense competition from several players in the rice processing industry.

ARL benefits from its experienced management. The partners of the firm have around three decades of experience in the rice processing industry. ARL also benefits from the business and operational support provided by its group entity, Sifti Rice Mills, which is engaged in processing of rice since 1999.

ARL's rating draws comfort from the favourable demand outlook for basmati rice in Middle East. The company's processing unit is in proximity to grain markets in Punjab, a major rice growing state in India.

Outlook: Stable

SMERA believes ARL will maintain a stable business risk profile over the medium term. The firm will benefit from its experienced management and established relations with customers. The outlook may be revised to 'Positive' in case the firm registers sustained growth in revenues and cash accruals while achieving efficient working capital management. Conversely, the outlook may be revised to 'Negative' in case of significant decline in the firm's revenues and cash accruals, or in case of stretch in the firm's working capital cycle.

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About the firm

ARL, incorporated in 2013, is an Amritsar-based partnership firm promoted by Mr. Dharampal Aneja, Mr. Satish Kumar, Mr. Kunal Dhawan and Mr. Vikas Aneja. ARL commenced commercial operations in October 2014. The firm is engaged in milling of paddy. ARL sells basmati rice under the brand name of 'Wagah'. The firm has installed capacity of 6 tonnes per hour (TPH).

For FY2013-14 (as per provisional financial statements), ARL reported net profit of Rs.0.31 crore on operating income of Rs.42.07 crore. The firm's net worth stood at Rs.4.16 crore (provisional) as on March 31, 2014, as compared with Rs.1.16 crore a year earlier.

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