

August 30, 2013

| Instrument | Amount (Rs. Crores) | Ratings |
|--------------------|---------------------|----------------------------------|
| Cash Credit | 11.00 | SMERA B/Stable (Assigned) |

SMERA has assigned a rating of '**SMERA B**' (read as **SMERA B**) to the Rs.11.00 crore fund based bank facilities of A. G. Rice Mills (AGRM). The outlook is '**Stable**'. The rating is mainly constrained by the firm's moderate scale of operations and below-average financial risk profile marked by low profit margins, working capital intensive nature of operations and low coverage indicators. The rating is further constrained by susceptibility of the firm's margins to volatility in raw material prices and intense competition prevalent in the rice processing industry. The rating is supported by the firm's experienced management, long standing relationships with customers and suppliers and proximity to raw material sourcing area.

AGRM, established in 1981, is a Punjab -based firm engaged in milling and processing of Basmati paddy. AGRM has a relatively small scale of operations in a highly fragmented rice processing industry. The firm reported revenues of Rs.28.43 crore in FY2012-13 (refers to financial year, April 01 to March 31). Furthermore, AGRM faces intense competition from a large number of players in the unorganized sector, which limits the firm's bargaining power with customers. AGRM has a below-average financial risk profile marked by low net profit margin of 0.16 per cent and low interest coverage ratio of 1.15 times in FY2012-13. The firm's profitability is highly susceptible to volatility in paddy prices. AGRM's operations are working-capital-intensive given the high inventory holding, which is reflected in a stretched inventory holding period of 182 days in FY2012-13.

However, the rating is supported by the firm's experienced management and proximity to raw material sourcing area. Mr. Abhishek Vohra, Managing Partner, has more than thirty years of experience the firm's line of business and is supported by an experienced second line of management. AGRM has a processing unit in Amritsar, Punjab, which is a major rice-growing region in India.

Outlook: Stable

SMERA believes AGRM's outlook will remain stable in the near term on the back of the long standing experience of the management. The outlook may be revised to 'Negative' if the firm is unable to scale up its operations while improving the working capital management and in case of any deterioration in the financial risk profile of the company. Conversely, the outlook may be revised to 'Positive' if the firm is able to scale up its operations while maintaining profit margins and improving working capital management.

About the firm

AGRM, established in 1981, is a partnership firm promoted by Mr. Abhishek Vohra and his family members. The firm is engaged in milling and processing of Basmati paddy. AGRM has a processing unit in Amritsar, Punjab. The firm markets basmati rice under its own brand, 'Darbar'.

In FY2011-12, AGRM reported PAT of Rs.0.03 crore on operating income of Rs.15.43 crore as compared with PAT of Rs.0.02 crore on operating income of Rs.12.84 crore in FY2010-11. Further, the firm reported PAT of Rs.0.05 crore on operating income of Rs.28.43 crore in FY2012-13 (as per provisional financials). AGRM's net worth stands at Rs.3.45 crore as on March 31, 2013 as compared with Rs.2.11 crore as on March 31, 2012.

Contact List:

| Media / Business Development | Analytical Contacts | Rating Desk |
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