



November 22, 2013

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	19.85	SMERA BB-/Stable (Assigned)
Term Loan	14.95	SMERA BB-/Stable (Assigned)
Proposed Long Term Bank Facilities	0.20	SMERA BB-/Stable (Assigned)

SMERA has assigned a rating of '**SMERA BB-**' (read as **SMERA double B minus**) to the above-mentioned bank facilities of Ambe Agro Foods Private Limited (AAFPL). The outlook is '**Stable**'. The rating is constrained by the project execution risk associated with the company's upcoming flour mill. The rating is further constrained by the intense competition prevalent in the food processing industry, which is exposed to commodity price volatility and agro-climatic risk. However, the rating draws comfort from the company's favourable location, experienced management and group support.

AAFPL, incorporated in October 2012, is a Khekra-based company established to undertake the business of processing wheat into flour. AAFPL is setting up a flour mill in Khekra, Uttar Pradesh, with an installed processing capacity of 340 metric tonnes (MT) per day.

AAFPL is exposed to project execution risk as the mill construction is underway. Moreover, the company would face intense competition (post commencement of operations) from various large and small players in the food processing industry. AAFPL's operations will also be susceptible to commodity price volatility and agro-climatic risk arising from the vagaries of monsoon.

AAFPL is likely to benefit from its favourable location. The company's upcoming flour mill is in proximity to raw material sourcing area in Khekra, Uttar Pradesh — the largest wheat producing state in India. AAFPL has an experienced management team. Mr. Bimal Kant Gupta and Mr. Nirmal Kant Gupta, directors of AAFPL, have around three decades of experience in the flour milling business. The company is likely to benefit from the strong distribution network of its group entities — Ambe Agro Industries Limited (AAIL) and Shree Ambe Foods Product Private Limited (SAFPPL), which are engaged in the flour milling business since over 30 years.

Outlook: Stable

SMERA believes AAFPL will maintain a stable business risk profile over the medium term on the back of its experienced management and group entity support. The outlook may be revised to 'Positive' in case the company completes the project on time and generates adequate cash flows

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while registering comfortable profit margins. Conversely, the outlook may be revised to 'Negative' in case of project execution delays, which may affect the company's financial risk profile.

About the company

AAFPL was incorporated in October 2012 to undertake the business of processing wheat into flour. The company is setting up a flour mill in Khekra, Uttar Pradesh with a processing capacity of 340 MT per day (1,02,000 MT per annum). AAFPL is likely to commence commercial production in May 2014.

The company's net worth stood at Rs5.66 crore as on March 31, 2013.

About the group

AAIL (based in Bihar) and SAFPPL (based in Bangalore) are engaged in production of various types of wheat flours including atta, maida and suji. The combined milling capacity of the companies is ~450 MT per day.

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