

September 05, 2014

Facility	Amount (Rs. Crore)	Rating
Cash Credit	13.00	SMERA B/Stable (Assigned)

SMERA has assigned a rating of '**SMERA B**' (**read as SMERA single B**) to the Rs.13.00 crore long-term (fund based) bank facility of Amar Roller Flour Mills (A unit of Amar Alloys Private Limited). The outlook is '**Stable**'. The rating is constrained by the company's weak financial risk profile in an intensely competitive segment of the food processing industry. The rating is also constrained by the company's working capital-intensive operations and stretched liquidity position. However, the rating is supported by the company's experienced management.

Amar Roller Flour Mill (ARFM), incorporated in 1989, is a Chandigarh-based company engaged in milling of whole-wheat flour (*aata*), wheat flour (*maida*) and semolina (*sufi*). ARFM's weak financial risk profile is marked by low capital base of Rs.1.43 crore and high leverage (debt-equity ratio) of 6.38 times as on March 31, 2013. Moreover, the company's interest coverage ratio is low at 1.43 times in FY2012-13 (refers to financial year, April 01 to March 31). ARFM operates in an intensely competitive segment of the food processing industry. The company's stretched liquidity position is evidenced by extended working capital cycle of 117 days (provisional) in FY2013-14 and high utilisation (96 per cent) of cash credit limit during January 2014 to July 2014.

ARFM benefits from its experienced management. Mr. Rakesh Goyal, director of ARFM, has around 10 years of experience in the company's line of business.

Outlook: Stable

SMERA believes ARFM will maintain a stable business risk profile over the medium term. The company will continue to benefit from its established operations and experienced management. The outlook may be revised to 'Positive' in case the company registers sustained growth in revenues and profitability. The outlook may be revised to 'Negative' in case of deterioration in the company's financial risk profile.

About the company

ARFM (A unit of Amar Alloys Private Limited), incorporated in 1989, is a Chandigarh-based company engaged in milling of wheat flours. ARFM has two manufacturing units, one in Panchkula, Haryana and the other in Banur, Punjab. The company has a total production capacity of 58,400 metric tonnes per annum.

For FY2012-13, ARFM reported profit after tax (PAT) of Rs.0.09 crore on operating income of Rs.29.67 crore, as compared with PAT of Rs.0.08 crore on operating income of Rs.22.74 crore for

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FY2011-12. Further, the company reported operating income of Rs.50.09 crore (provisional) in FY2013-14. ARFM's net worth stood at Rs.1.60 crore as on March 31, 2013.

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