

A L Overseas: Assigned

Facility	Amount (Rs. Crore)	Rating/Outlook
Cash Credit	15.00	SMERA BB/Stable (Assigned)

SMERA has assigned rating of '**SMERA BB**' (read as **SMERA double B**) to the Rs.15.00 crore long term (fund based) bank facility of A.L. Overseas (ALO). The outlook is '**Stable**'. The rating is supported by the firm's established operations, experienced management and strategic location of the processing unit. However, the rating is constrained by the modest scale of business and capital intensive operations. The rating is further constrained by the firm's exposure to agro-climatic risk and intense market competition.

ALO, incorporated in 1995, is engaged in the milling, processing and trading of basmati, non-basmati and boiled rice. The firm has an installed capacity of 145 tonnes per day (TPD) and benefits from its experienced management. Mr. Bharat Bhushan, Proprietor, has around three decades of experience in the abovementioned line of business. The business risk profile draws support from the strategic location of the processing unit which is in close proximity to rice growing areas.

However, the firm has modest scale of operations evident from the operating income of Rs.46.22 crore (provisional) in FY2015-16 against Rs.53.75 crore during the previous year. The firm's operations are capital intensive evident from the gross current asset (GCA) of 148 days (provisional) in FY2015-16 against 108 days during the previous year.

The firm's operations are susceptible to adverse changes in climatic conditions that may affect the availability of paddy. ALO faces intense market competition in the rice industry.

Outlook- Stable

SMERA believes that the firm will maintain stable outlook owing to the management's extensive experience in rice milling and established relationships with customers. The outlook may be revised to 'Positive' in case of sustained increase in revenues and accruals while maintaining its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenues and accruals or elongation of working capital cycle.

Rating Sensitivity Factors

- Efficient working capital management
- Substantial and sustainable improvement in revenue and profitability profile
- Debt funded capex

Criteria applied to arrive at the rating:

- Manufacturing Entities

About the Firm

Incorporated in 1995, ALO is a New Delhi-based firm promoted by Mr. Bharat Bhushan. The firm is engaged in the milling and trading of basmati, non-basmati and boiled rice and has an installed capacity of 145 MTPD (metric tonne per day). The total debt of Rs.14.56 crore (provisional in FY2015-16) includes interest bearing unsecured loans of Rs.8.38 crore from promoters, friends and

relatives that are subordinated to bank debt. SMERA has treated such unsecured loans as quasi-equity.

For FY2015-16, ALO reported net profit of Rs.0.34 crore on operating income of Rs.46.24 crore (provisional) as compared to net profit of Rs.0.26 crore on operating income of Rs.53.75 crore in FY2014-15. The net worth stood at Rs.15.66 crore (including unsecured loan of Rs.8.38 crore) (provisional) in FY2015-16 as compared with Rs.11.39 crore (including unsecured loan of Rs.4.28 crore) a year earlier.

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ABOUT SMERA

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