

Press Release**ARADHYA AGRO INDUSTRIES**

December 13, 2017

Rating Upgraded

| | |
|-------------------------------------|----------------------------|
| Total Bank Facilities Rated* | Rs. 12.00 Cr. |
| Long Term Rating | SMERA B+ / Outlook: Stable |

** Refer Annexure for details***Rating Rationale**

SMERA has upgraded long-term rating of '**SMERA B+**' (read as **SMERA B plus**) on the Rs. 12.00 crore bank facilities of ARADHYA AGRO INDUSTRIES. The outlook is '**Stable**'.

The Karnataka-based Aradhy Agro Industries (AAI), a partnership firm established in May, 2014 is engaged in rice milling and trading. The manufacturing facility of the firm is located at Davangere with installed capacity of 8 tons per hour.

Key Rating Drivers**Strengths**

- Experienced management**

The firm is led by Mr.S. Prasana, (Managing Partner) and other partners, Ms.I.P. Sheela and Mr. I.P. Prasheel. Mr Prasana possesses nearly three decades of experience in the rice milling industry. His extensive experience has helped develop long term relations with customers and suppliers.

Weaknesses

- Nascent stage of operations**

AAI commenced commercial operations from Feb 2016. The firm registered revenue of Rs 25.28 crore in FY2017. The revenue from April 2017 to November 2017 stood at ~Rs 13.00 crore.

- Competitive and fragmented industry**

Rice milling is a highly competitive industry with low entry barriers resulting in intense competition from organised as well as unorganised players. The firm faces competition from reputed brands such as Kohinoor, LT Foods among others.

- Risks related to climatic changes and fluctuations in raw material prices**

Paddy, the main raw material is an agro commodity, the production of which is highly dependent upon the monsoon. Inadequate rainfall may affect the availability of paddy in adverse weather conditions. The firm is thus exposed to agro climatic risks as also risk of fluctuations in raw material prices.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of AAI to arrive at the rating.

Outlook: Stable

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

About the Rated Entity - Key Financials

In FY2016-17, the firm reported profit after tax (PAT) of Rs.0.26 crore on operating income of Rs.25.89 crore as against net profit of Rs.0.04 crore on operating income of Rs.1.32 crore in the previous year. The tangible net worth stood at Rs.5.21 crore as on 31 March, 2017 as against Rs.4.38 crore in the previous year.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

| Date | Name of Instrument / Facilities | Term | Amount (Rs. Cr.) | Ratings/Outlook |
|-------------|---------------------------------|-----------|------------------|------------------|
| 16-Sep-2016 | Cash Credit | Long Term | INR 2 | SMERA B / Stable |
| | Term Loan | Long Term | INR 4 | SMERA B / Stable |
| | Term Loan | Long Term | INR 2.5 | SMERA B / Stable |
| | Proposed Cash Credit | Long Term | INR 3.5 | SMERA B / Stable |

*Annexure – Details of instruments rated

| Name of the Facilities | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. Cr.) | Ratings/Outlook |
|------------------------|------------------|----------------|----------------|-----------------------------|-------------------|
| Cash Credit | Not Applicable | Not Applicable | Not Applicable | 6.50 | SMERA B+ / Stable |
| Term loans | Not Applicable | Not Applicable | Not Applicable | 3.07 | SMERA B+ / Stable |
| Term loans | Not Applicable | Not Applicable | Not Applicable | 1.49 | SMERA B+ / Stable |
| Proposed | Not Applicable | Not Applicable | Not Applicable | 0.94 | SMERA B+ / Stable |

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