

Press Release

Aradhya Agro Industries

March 06, 2019

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 15.00 Cr. (Enhanced from Rs.12.00 crore)
Long Term Rating	ACUITE B+ / Outlook: Stable (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) to the Rs.15.00 crore bank facilities of Aradhya Agro Industries (AAI). The outlook is '**Stable**'.

AAI is a Karnataka based partnership firm established in May 2014. The firm was previously established as proprietorship firm and was later converted to a partnership firm in 2015. Mr. I.S. Prasanna, Mr. I.P. Sheela and Mr. I.P. Prasheel are the partners. The firm is engaged in the business of rice milling and trading. The manufacturing facility is located at Davangere. The firm has an installed capacity of 8 tons per hour.

Analytical Approach

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

Key Rating Drivers

Strengths

Experienced management

The firm is led by Mr.I.S. Prasanna (Managing Partner) and other partners, Ms.I.P. Sheela and Mr. I.P. Prasheel. Mr Prasanna 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 19.63 crore in FY2018 compared to Rs. 25.89 crore in FY2017. The fall in revenue can be attributed to the low crop output because of the drought conditions in Karnataka and surrounding states. The revenue from April 2018 to September 2018 stood at ~Rs 18.00 crore.

Working capital intensive operations

The firm's operations are working capital intensive marked by high Gross Current Asset days of 249 days for FY2018 against 132 days for FY2017. The high GCA days are mainly on account of substantial increase in the inventory days from 77 days in FY2017 to 201 days in FY2018. The debtor days increased from 62 days in FY2017 to 73 days in FY2018.

Risks related to changes in climate and raw material prices

The rice milling and processing industry is completely dependent upon the agro industry. Adverse changes in the climatic conditions can hamper the crop output and affect the prices of raw materials that the firm purchases.

Outlook: Stable

Acuite believes that AAI will maintain a 'Stable' outlook over the medium term from the industry experience of its promoters. The outlook may be revised to 'Positive' if there is substantial and sustained improvement in AAI's operating income or profitability, while maintaining its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of weakening its capital structure and debt

protection metrics.

Liquidity Position

AAI has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The firm generated cash accruals of Rs.0.04 to 1.48 crore during the last three years through 2017-18, while its maturing debt obligations were in the range of Rs.1.00 - 1.20 crore over the same period. The cash accruals of the firm are estimated to remain around Rs.1.60 – 2.70 crore during 2019-21 while its repayment obligations are estimated to be around Rs. 1.10 – 1.50 Crore. The firm's operations are working capital intensive as marked by gross current asset (GCA) days of 249 in FY2018. This has led to reliance on working capital borrowings, the cash credit limit in the firm remains utilized at 90 percent during the last 12 months period ended December 2018. The firm maintains unencumbered cash and bank balances of Rs.0.02 crore as on March 31, 2018. The current ratio of the firm stands healthy at 1.67 times as on March 31, 2018. The firm is likely to incur capex of Rs.0.04 – 0.20 crore over the medium term. Acuite believes that the liquidity of the firm is likely to remain adequate over the medium term on account of uniform cash accruals.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	19.63	25.89	1.32
EBITDA	Rs. Cr.	2.61	2.46	0.04
PAT	Rs. Cr.	0.03	0.26	0.04
EBITDA Margin	(%)	13.27	9.50	3.32
PAT Margin	(%)	0.17	0.99	3.32
ROCE	(%)	5.72	11.25	0.61
Total Debt/Tangible Net Worth	Times	2.85	2.58	2.26
PBDIT/Interest	Times	2.59	1.61	-
Total Debt/PBDIT	Times	6.39	5.22	226.11
Gross Current Assets (Days)	Days	249	132	1,216

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

None

Any other information

Acuite is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
13-Dec-2017	Cash Credit	Long Term	6.50	ACUITE B+/Stable (Upgraded)
	Term Loan	Long Term	3.07	ACUITE B+/Stable (Upgraded)
	Term Loan	Long Term	1.49	ACUITE B+/Stable (Upgraded)
	Proposed Cash Credit	Long Term	0.94	ACUITE B+/Stable (Upgraded)
16-Sep-2016	Cash Credit	Long Term	2.00	ACUITE B/Stable (Assigned)
	Term Loan	Long Term	4.00	ACUITE B/Stable (Assigned)
	Term Loan	Long Term	2.50	ACUITE B/Stable (Assigned)
	Proposed Cash Credit	Long Term	3.50	ACUITE B/Stable (Assigned)

*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	8.50	ACUITE B+/ Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	1.60	ACUITE B+/ Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	1.25	ACUITE B+/ Stable (Reaffirmed)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.65	ACUITE B+/ Stable (Reaffirmed)

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About Acuite Ratings & Research:

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