

Press Release

A M INDUSTRIES

16 February, 2018

Rating Upgraded



Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	SMERA BB / Outlook: Stable (Upgraded from SMERA BB-/Stable)

* Refer Annexure for details

Rating Rationale

SMERA has upgraded the long-term rating to '**SMERA BB**' (read as **SMERA BB**) on the Rs. 10.00 crore bank facilities of A M INDUSTRIES (AMI). The outlook is '**Stable**'.

The upgrade is in view of the improved business and financial risk profile along with comfortable working capital management.

Established in 2000, A M Industries is an Uttar Pradesh -based partnership firm promoted by Mr. Shiv Kumar Agarwal and Mr. Ankit Mittal. The firm is engaged in the processing and trading of Basmati rice. The manufacturing facility is located at Hardoi, Uttar Pradesh.

Key Rating Drivers

Strengths

• Experienced management:

The firm established in 2000 is led by Partners, Mr. Shiv Kumar Agarwal and Mr. Ankit Mittal who possess experience of more than two decades of experience in the industry.

• Moderate business risk profile:

The business risk profile has improved marked by Cumulative Annual Growth Rate of 17 per cent in the last five years ended 31 March, 2017 while maintaining working capital. The revenues increased to Rs. 46.75 crore in FY2017 from Rs. 35.33 crore in FY2016 due to increase in direct exports. AMI manages working capital efficiently reflected with Gross Current Assets of 49 days in FY2017 as against 47 days in FY2016. The firm had inventory of 16 days in FY2017 (PY: 19 days) and debtors of 32 days in FY2017 (PY: 27 days).

• Average financial risk profile:

While the financial risk profile has improved comparatively it has been average marked by low network of Rs. 2.33 crore as on 31 March, 2017 as against Rs. 1.27 crore as on 31 March, 2016. The gearing improved to 1.87 times as on 31 March, 2017 as against 3.53 times as on 31 March, 2016. This is mainly due to increase in network. The Interest Coverage Ratio improved to 4.53 times in FY2017 from 3.18 times in FY2016. The Total Outstanding Liabilities to Total Network (TOL/TNW) improved to 3.10 times in FY2017 from 5.02 times in FY2016.

Weaknesses

• Decline in profitability

The operating margins (EBITDA) declined to 2.38 percent in FY2017 from 3.64 per cent in FY2016. This is mainly due to intense competition. The PAT margins declined to 0.84 percent in FY2017 from 1.27 percent in FY2016.

• Exposure to agro climatic risks and competition

Since the firm is engaged in the processing of agro based products, the profit margins are exposed to agro

climatic risks. The agro processing industry is highly competitive and fragmented with several organised and unorganised players. The intense competition and low value addition in the agro processing industry has resulted in low operating margins.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of AMI.

Outlook: Stable

SMERA believes that the outlook on AMI will remain stable over the medium term on account of the promoter's extensive experience in the agricultural industry. The outlook may be revised to 'Positive' if the firm registers higher than expected growth in revenue and profitability while maintaining a comfortable liquidity position. Conversely, the outlook may be revised to 'Negative' in case of significant decline in cash accruals or deterioration of its financial risk profile due to higher than expected working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	46.75	35.33	36.78
EBITDA	Rs. Cr.	1.11	1.29	1.02
PAT	Rs. Cr.	0.39	0.45	0.35
EBITDA Margin	(%)	2.38	3.64	2.78
PAT Margin	(%)	0.84	1.27	0.95
ROCE	(%)	10.76	11.96	12.19
Total Debt/Tangible Net Worth	Times	1.87	3.53	7.83
PBDIT/Interest	Times	4.53	3.18	5.99
Total Debt/PBDIT	Times	3.93	3.47	7.38
Gross Current Assets (Days)	Days	49	47	62

Any other information

Not Applicable

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>

Status of non-cooperation with previous CRA (if applicable): None

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
11-Nov, 2016	Cash Credit	Long Term	INR 6.67	SMERA BB- / Stable (Reaffirmed)
	Proposed Cash Credit	Long Term	INR 3.33	SMERA BB- / Stable (Reaffirmed)
	Letter of Credit	Short Term	INR 0.65	SMERA A4+ (Withdrawn)
10-Sep-2015	Cash Credit	Long Term	INR 9.35	SMERA BB- / Stable (Assigned)
	Letter of Credit	Short Term	INR 0.65	SMERA A4+ (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.67	SMERA BB / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	3.33	SMERA BB / Stable

Contacts

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ABOUT SMERA

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