

Press Release

Amol Enterprises



09 March, 2018

Rating Reaffirmed

Total bank facilities Rated*	Rs. 12.00 crore (Enhanced from Rs 7.00)
Long term rating	SMERA B+/Stable

*Refer annexure for details

SMERA has reaffirmed the long-term rating of '**SMERA B+**' (read as **SMERA B plus**) on the Rs. 11.77crore bank facilities of Amol Enterprises. Further, SMERA has assigned long-term rating of '**SMERA B+**' (read as **SMERA B plus**) on Rs. 0.33crore bank facilities. The outlook is '**Stable**'

Amol Enterprises (AE) was established in 2011 as a partnership firm by Mr.AmolBachuwar, Mr. Suresh Gogulwar and Smt. Leena Chimdyalwar. AE is engaged in the processing and milling of rice. The firm majorly procures paddy from local farmers and mandis and sells the same to traders and dealers after processing. The manufacturing unit is located atNagpur, Maharashtra.

Key rating drivers

Strengths

Experienced management

The management has extensive experience in the rice milling business. Mr.Bachuwar, Mr.Gogulwar and Mrs.Chimdyalwarpossess experience of more than a decade in the rice processing business. This has helped the firm developing long term relations with customers and suppliers.

Proximity to raw materials

The manufacturing facility is located in close proximity to local markets with abundant availability of rice. Hence, the firm enjoys locational advantage.

Weaknesses

Below average financial risk profile

AE has below average financial risk profile marked byhigh gearing of 3.84 times as on 31 March, 2017 compared to 2.01 times as on 31March, 2016. AE has average coverage indicators with Interest Coverage Ratio (ICR) of 1.67 times for FY2016-17 and 1.52 times in FY2015-16. The tangible networthstood at a low of Rs 2.01 crore as on 31March, 2017.

Working capital intensive operations

AE has working capital intensive operations marked by GCA of 139 days in FY2016-17 as compared to 85 days in FY2015-16. The debtor days stood at 39 in FY2017 as against 41 in

FY2016 and creditor days stood at 37 in FY2017 as against 20 in FY2016. The working capital stood at 101 days in FY2017 as against 64 days in FY2016, the inventory days stood at 99 days in FY2017 as against 43 days in FY2016.

Agro climatic risks

Paddy, the main raw material required for rice is seasonal the production of which is highly dependent upon the monsoon. Thus, inadequate rainfall may affect the availability of paddy in adverse weather conditions. Over the past few years, cost of paddy has increased significantly. The increase in realisation has not been commensurate with increase in paddy cost.

Competitive and fragmented nature of rice milling business

Rice is a highly competitive industry due to low entry barriers. The firm faces intense competition from both, the organised as well as unorganised players in the industry.

Analytical approach:

SMERA has considered the standalone financial and business risk profile of Amol Enterprises.

Outlook: Stable

SMERA believes that Amol Enterprises will maintain a Stable outlook in the medium term on the back of the extensive experience of the management in the business. The outlook may be revised to 'Positive' if AE achieves more than expected revenue while improving its profit margins and capital structure. Conversely, the outlook may be revised to 'Negative' in case of further deterioration in capital structure.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	22.10	27.86	25.15
EBITDA	Rs. Cr.	1.13	0.90	0.66
PAT	Rs. Cr.	0.27	0.08	0.09
EBITDA Margin	(%)	5.10	3.24	2.63
PAT Margin	(%)	0.86	0.87	0.27
ROCE	(%)	2.08	1.14	0.62
Total Debt/Tangible Net Worth	Times	3.84	2.01	4.03
PBDIT/Interest	Times	1.67	1.52	1.30
Total Debt/PBDIT	Times	6.71	4.27	7.13
Gross Current Assets (Days)	Days	139	85	101

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing entities- <https://www.smera.in/criteria-services.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 for the last three years:

Date	Name of Instrument / Facilities	Term	Amount (Rs .Crore)	Ratings/Outlook
Dec 16, 2016	Cash Credit	Long Term	3.50	SMERA B+/ Stable (Assigned)
	Term Loan	Long Term	1.95	SMERA B+/ Stable (Assigned)
	Proposed Working Capital Demand Loan	Long Term	1.55	SMERA B+/ Stable (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	5.00 (Revised from Rs 3.50 Crore)	SMERA B+ / Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	1.67 (Revised from Rs 1.95 Crore)	SMERA B+ / Stable (Reaffirmed)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00 (Revised from Rs 1.55 Crore)	SMERA B+ / Stable (Reaffirmed)
Proposed Long Term Facility	Not Applicable	Not Applicable	Not Applicable	0.33	SMERA B+ / Stable (Assigned)

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ABOUT SMERA

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