

Press Release

Aadhar Rice Mill Private Limited (ARMPL)

13 January, 2017

Rating Assigned

Total Bank Facilities Rated *	Amount (Rs. Crore)	Rs.14.00 Crore
Long Term Rating	14.00	SMERA BB+/Stable (Assigned)

**Refer Annexure for details*

Rating Rationale

SMERA has assigned long term rating of '**SMERA BB+**' (read as **SMERA double B plus**) on the Rs.14.00 crore long term bank facilities of Aadhar Rice Mill Private Limited (ARMPL). The outlook is '**Stable**'.

The company, promoted by Mr. Ram Prakash Agarwal, Mr Rajnish Kumar and Mr Satyedeo Roy is engaged in the manufacture of non-basmati rice.

List of key rating drivers and their detailed description

Strengths:

Experienced management- ARMPL, incorporated in 2009, manufactures non-basmati rice. The company, promoted by Mr. Ram Prakash Agarwal, Mr Rajnish Kumar and Mr Satyedeo Roy, has a decade of experience in rice milling.

Growth in revenue- The consolidated revenue of the Aadhar Group stands at Rs.133.04 crore in FY2016, an increase in growth of 16.26 per cent from Rs.114.42 crore in FY2015.

Proximity of manufacturing facility to raw material sources- The manufacturing facility is located at Seraikela district, Jharkhand. Jharkhand is among the major rice producing states in India and ARMPL enjoys proximity to raw material source.

Weaknesses:

Working capital requirements: The rating is however, constrained by the working capital requirements marked by gross current assets days of 151 in FY2016. Also, the working capital cycle days stand at 123 in FY2016 mainly on account of inventory and debtor days of 114 and 35 respectively.

Susceptibility of profit margins to fluctuations in raw material prices: The rating also takes into account the susceptibility of profit margins to fluctuations in raw material prices of paddy and agro-climatic risks.

Analytical approach: SMERA has consolidated the financial and business risk profiles of ARMPL and Shree Shakambari Rice Mills Private Limited (Shree Shakambari), together referred to as the Aadhar Group, on account of high operational fungibility between the entities and common ownership.

Applicable Criteria

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

Outlook – Stable

SMERA believes that the Aadhar Group will maintain a stable outlook in the medium term owing to its experienced management. The outlook may be revised to 'Positive' if the firm registers higher-than-expected growth in revenues and net cash accruals while maintaining better profit margins. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected growth in revenues and profitability or deterioration in the financial risk profile owing to higher working capital requirements.

About the Firm

ARMPL, incorporated in 2009, is engaged in the manufacture of non-basmati rice at Seraikela, Jharkhand. The company was promoted by Mr. Ram Prakash Agarwal, Mr Rajnish Kumar and Mr Satyedeo Roy. The installed capacity stands at 6 TPH.

For FY2016, the group achieved net profit after tax (PAT) of Rs.0.56 crore on operating income of Rs.133.04 crore as compared with PAT of Rs.0.34 crore on operating income of Rs.114.42 crore in FY2015. The net worth stood at Rs.25.43 crore as on March 31, 2016 against Rs.23.36 crore a year earlier.

For FY2016, ARMPL on standalone basis achieved net profit after tax (PAT) of Rs.0.16 crore on operating income of Rs.58.45 crore as compared with PAT of Rs.0.07 crore on operating income of Rs.40.79 crore in FY2015.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	Scale	2017		2016		2015		2014	
		Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	12.50	SMERA BB+/Stable (Assigned)	-	-	-	-	-	-
Term Loan	LT	1.40	SMERA BB+/Stable (Assigned)	-	-	-	-	-	-
Proposed Long Term Facilities	LT	0.10	SMERA BB+/Stable (Assigned)	-	-	-	-	-	-

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Rating/ Outlook
Cash Credit	NA	NA	NA	12.50	SMERA BB+/Stable (Assigned)
Term Loan	NA	NA	NA	1.40	SMERA BB+/Stable (Assigned)
Proposed Long Term Facilities	NA	NA	NA	0.10	SMERA BB+/Stable (Assigned)

Note on complexity levels of the rated instrument: <https://www.smera.in/criteria-complexity-levels.htm>

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ABOUT SMERA

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