

Press Release

Aadhar Rice Mill Private Limited

16 March 2018

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 14.00 Cr.
Long Term Rating	SMERA BB+ /Stable (Reaffirmed)

* Refer Annexure for details

Rating Rationale

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

ARMPL was established in the year 2009 as a Bihar-based company. It is involved in manufacturing of Non-Basmati rice with facility in Saraikela, Jharkhand. Currently, Aadhar Rice Mills have installed capacity of 4 TPH. The company procures paddy from local farmers in Jharkhand, Bihar and Uttar Pradesh. The company sells its products in the state of Bihar, Jharkhand, Delhi and Rajasthan. It also supplies to export houses.

Key rating drivers

Strengths

Experienced Management

Aadhar Rice Mill Private Limited, incorporated in 2009, has presence of almost a decade in the rice industry. The group is led by Mr. Ram Prakash Agarwal, Mr. Rajnish Kumar and Mr. Satyadeo Roy who have an experience of more than a decade in the same line of business. The experience of promoters has helped the group to develop healthy relations with its suppliers and customers.

Moderate financial risk profile

The financial risk profile of group is moderate. The net worth of the group is Rs. 21.27 crore as on 31 March, 2017 as against Rs. 20.49 crore as on 31 March, 2016. The gearing stood at 2.04 times as on 31 March, 2017 as against 1.88 times as on 31 March, 2016. The total debt of Rs. 43.41 crore as on 31 March, 2017 consists of long term debt of Rs. 1.57 crore, interest free unsecured loans from promoters/ directors of Rs. 4.05 crore and short term working capital facility of Rs. 37.79 crore. The interest coverage ratio stood at 1.64 times for FY17. The net cash accruals to total debt (NCA/TD) stood at 0.06 times for FY17. Total outside liabilities to Tangible networth (TOL/TNW) stood at 2.25 times for FY17.

Proximity to raw materials

Jharkhand is one of the major rice producing states in India which gives the group locational advantage in terms of having proximity to raw materials.

Weaknesses

Working capital intensive nature of operations

The group has working capital intensive nature of operations marked by high GCA days of 139 days in FY2017 as against 151 days in FY2016. This is majorly on account of high inventory holding period of 114 days in FY2017. Rice in itself is working capital intensive business because of the need to store large quantities of paddy as the harvesting season is during September to November. Also, companies store rice in order to 'age' which improves its characteristics in terms of taste, aroma etc. and thus fetches better realizations.

Agro climatic risk

Paddy which is the main raw material required for rice is a seasonal crop and the production of the same is highly dependent upon monsoons. Thus inadequate rainfall may affect the availability of paddy during adverse weather conditions.

Highly fragmented and competitive industry

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 results in low operating margins. The paddy price is largely dependent on several external factors like domestic demand outlook, international trade regulations and domestic productions.

Analytical Approach

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

Outlook: Stable

SMERA believes that the group will continue to maintain a 'Stable' outlook over the medium term owing to the experience of its management and moderate financial risk profile. The outlook may be revised to 'Positive', if the group achieves improvement in profit margins while maintaining healthy revenue growth. Conversely, the outlook may be revised to 'Negative' in case of steep decline in revenues, profit margins or deterioration in the capital structure or coverage indicators.

About the Rated Entity - Key Financials (Consolidated)

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	149.52	133.04	114.42
EBITDA	Rs. Cr.	6.43	7.16	6.89
PAT	Rs. Cr.	0.77	0.56	0.34
EBITDA Margin	(%)	4.30	5.38	6.02
PAT Margin	(%)	0.52	0.42	0.29
ROCE	(%)	7.67	8.40	8.36
Total Debt/Tangible Net Worth	Times	2.04	1.88	2.11
PBDIT/Interest	Times	1.64	1.57	1.67
Total Debt/PBDIT	Times	6.50	5.34	5.96
Gross Current Assets (Days)	Days	139	151	165

About the Group

Aadhar Rice Mill Private Limited was incorporated in 2009 by Mr. Ram Prakash Agarwal, Mr. Rajnish Kumar and Mr. Satyadeo Roy. In 2013, the promoters acquired Shakambari Rice Mill Private Limited which was incorporated in 2006. The group is engaged in manufacturing of Basmati and Non- Basmati Rice. The group has its manufacturing facilities in Jharkhand. The group has installed capacity of 12 TPH.

On consolidated basis, Aadhar Group has reported net profit after tax (PAT) of Rs.0.77 crore on operating income of Rs.149.52 crore in FY16-17 as compared to PAT of Rs.0.56 crore on operating income of Rs.133.04 crore in the previous year.

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

CRISIL in its press release dated March 30, 2017 has moved the rating to "Issuer not Co-Operating" category. The rating action contained in the release of CRISIL is as under

CRISIL has moved the ratings for the Rs. 15.11 crore bank facilities of Aadhar Rice Mill Private Limited (ARMPL) to the 'Issuer Not Cooperating' category. The rating is now denoted as CRISIL B/Stable (Issuer Not

Cooperating; Downgraded from 'CRISIL BB/Stable').

Any other information

Not Applicable

Applicable Criteria

- Manufacturing Entity: <https://www.smera.in/criteria-manufacturing.htm>
- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.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
29-Jan-2018	Cash Credit	Long Term	12.50	SMERA BB+/ Stable (Indicative)
	Term loan	Long Term	1.40	SMERA BB+/ Stable (Indicative)
	Proposed Long Term Facilities	Long Term	0.10	SMERA BB+/ Stable (Indicative)
13-Jan-2017	Cash Credit	Long Term	12.50	SMERA BB+/ Stable (Assigned)
	Term loan	Long Term	1.40	SMERA BB+/ Stable (Assigned)
	Proposed Long Term Facilities	Long Term	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. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	12.50	SMERA BB+ / Stable (Reaffirmed)
Term loan	Not Applicable	Not Applicable	Not Applicable	1.02	SMERA BB+ / Stable (Reaffirmed)
Proposed Long Term Facilities	Not Applicable	Not Applicable	Not Applicable	0.48	SMERA BB+ / Stable (Reaffirmed)

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ABOUT SMERA

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