

Press Release

A M Rice Mills

March 25, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 18.00 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (read as **SMERA BB minus**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 18.00 crore bank facilities of A M Rice Mills. The outlook is '**Stable**'.

A.M. Rice Mills (AMRM), established in 1986 is a Haryana-based partnership concern promoted by Mr. Anil Kr. Gupta and Mr. Abhisekh Gupta. The firm is engaged in the milling and processing of basmati and non-basmati rice and has an installed capacity of 5 metric ton rice per hour. The firm procures the raw material i.e. paddy from the local market and sells rice under the brand name 'Ampure' in the domestic as well as international market.

Key Rating Drivers

Strengths

- **Experienced management and long track record of operations**

AMRM, incorporated in 1986 has long track record of operations in the rice industry. The promoters, Mr. Anil Kr. Gupta and Mr. Abhisekh Gupta, have experience of two decades in the rice milling business.

- **Moderate financial risk profile**

The moderate financial risk profile is marked by moderate interest coverage of 1.34 times in FY2016 as against 1.44 times in the previous year. The operating margin stands moderate at 4.18 per cent in FY2016 as compared to 3.33 per cent in FY2015. The net profitability margin stands low at 0.46 percent in FY2016 as against 0.41 percent in FY2015. The RoCE of the firm stands moderate at 10.38 percent in FY2016 as compared to 9.75 percent in FY2015. The gearing stood at 2.79 times in FY2016.

Weaknesses

- **Risks related to economic conditions of the export countries**

The firm exports rice to Dubai and hence is exposed to risks related to economic conditions of the export countries. Any slowdown may adversely impact order inflow of the firm.

- **Competitive and fragmented industry**

The firm faces intense competition in the rice industry.

Analytical Approach

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

Outlook: Stable

SMERA believes that the firm will maintain a stable outlook on the back of the management's extensive

experience in the rice milling business and its long track of operation. The outlook may be revised to Positive in case of substantial increase in profitability margins supported by healthy revenue growth or improvement in the financial risk profile on account of effective working capital management. Conversely, the outlook may be revised to Negative in case of significant deterioration in the financial risk profile due to debt-funded capital expenditure or elongated working capital cycle.

About the Rated Entity - Key Financials

For FY2015-16, the firm reported PAT of Rs.0.24 cr on operating income of Rs.51.64 cr as compared with PAT of Rs.0.22 cr on operating income of Rs.53.41 cr for FY2014-15. The net worth stood at Rs.5.10 cr as on March 31, 2016 as compared with Rs.2.68 cr a year earlier. The net worth of Rs.5.10 cr in FY2016 includes quasi equity of Rs.2.99 crore.

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

None

Any other information

None

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>

Rating History (Upto last three years)

Not Applicable

*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	12.00	SMERA BB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.34	SMERA BB- / Stable
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	4.00	SMERA A4+
Proposed	Not Applicable	Not Applicable	Not Applicable	1.66	SMERA BB- / Stable

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ABOUT SMERA

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