

Rating Rationale

Brickwork Ratings Reaffirms rating of 'BWR BB' for Bank Loan facilities of ₹ 15 Cr to A.L. Overseas.

Brickwork Ratings has reviewed the **Rating¹** for Bank Loan facilities aggregating ₹ 15.00 Cr of A.L. Overseas ("ALO or the Firm") availed from Punjab National Bank as:

Facility	Previous Limit(₹ Cr)	Present Limit(₹ Cr)	Tenure	Previous-Rating (Feb2014)	Present Rating (May 2015)
Cash Credit Fund Based	15.00	15.00	Long Term	BWR BB (Pronounced BWR Double B) (Outlook: Stable)	BWR BB (Pronounced BWR Double B) (Outlook: Stable)
Total	15.00	15.00	(INR Fifteen Crores Only)		

BWR has essentially relied upon the audited financials of FY13, FY14 and provisional financials of FY15, projections for FY16 of A.L. Overseas, publicly available information/clarification provided by the Company's management.

The rating review factors in experience of the promoters in the rice milling business, established relationship with its customers, moderate interest servicing capability and adequate liquidity position. However, the rating continues to be constrained due to moderate scale of operations, susceptibility of revenue to the volatility in raw material prices, thin profit margins, low net worth and working capital intensive nature of operations.

Firm Profile

A.L. Overseas, a sole proprietorship firm, set up in 1995 is promoted by Shri Bharat Bhushan Bansal. The firm has its unit at Narela Mandi, New Delhi. The Firm is engaged in milling and shelling of rice -Basmati rice, non-basmati rice and boiled rice. The firm also sells rice in the brand name of Capital and Shaurat. ALO has an installed capacity of 145 tons of rice per day with capacity utilization of ~80% in FY15.

Management Profile

Mr. Bansal is a graduate and is engaged in this line of activity since last 15 years. He has a prior experience of working as a Commission Agent of food grain items (Pulses, Paddy etc.) along with his father in Narela Mandi. Shri Krishnan Bansal, father of Shri Bharat Bhushan Bansal is also actively engaged in the day to day activity of A.L. Overseas and has a business experience of over 2 decades.

¹ Please refer to www.brickworkratings.com for definition of the Ratings

Financial Performance

The total operating income of the firm has increased from Rs.48.73 Cr in FY13 to Rs.70.60 Cr in FY14. The operating profit margin has improved from 3.17 Per cent in FY13 to 4.77 Per cent in FY14. The net profit margin of the firm has also improved from 0.74 Per cent in FY13 to 2.33 Per cent in FY14. Debt to equity has remained flat from 2.35 times in FY13 to 2.34 times in FY14. The tangible net worth of the firm has improved from Rs.5.88 Cr in FY13 to Rs.7.03 Cr in FY14. ISCR stood at 2.38 times as per FY14. Current ratio of 1.56 times reflects adequate liquidity position.

As per the provisional financials provided by the Company for FY15, the Company has achieved a turnover of ₹ 54.15 Cr due to steep fall in raw material prices of paddy. Debt to equity has further improved to 1.29 times in FY15 on the back of lesser utilization of working capital facility. Current ratio has also improved to 2.56 times.

Rating Outlook

The outlook for ALO is expected to be stable for the current financial year. Going forward, the ability of ALO to effectively capitalize on marketing its in-house brands (Capital and Shaurat), manage volatility in raw material prices and its availability, strengthen capital structure, improve profitability margins while achieving the envisaged growth would remain the key rating sensitivity.

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