

Rating Rationale

Brickwork Ratings revises Ratings to 'BWR BB' from 'BWR B+' for the Bank Credit Facilities of A L Overseas enhanced from ₹ 12 Cr to ₹ 15 Cr

Brickwork Ratings has revised the following **Rating**¹ for the Bank Credit Facilities of A L Overseas (*ALO or the Firm*)

Facility	Existing (₹ Cr)	Tenure	Rating
Fund Based- Cash Credit (Punjab National Bank)	15.00	Long Term	BWR BB (BWR Double B) (Outlook: Stable)
Total	15.00	(INR Fifteen Crores only)	

BWR has principally relied upon the audited financial results of ALO's for FY11, FY12 & FY 13, and provisional financials for FY 14 & 15, information/clarification provided by the Firm and other publicly available information.

A L Overseas continues to benefit from the promoters' extensive experience in the rice industry, the healthy overseas demand for basmati rice, established relationship with its customers over the years resulting in repeated orders, addition of new customers and positive performance till Dec'2013. The Firm's effort for enhancement in the production capacity in order to cater to the increased demand has also been noted. The rating is however constrained by lack of adequate quality control & testing methods as per international standards, relatively lesser importance given to the Firm's owned brands, moderately high gearing levels, thin profitability, weak debt protection matrix, inherent risks like limited ability to raise equity capital being a proprietorship, and increasing competition in this segment.

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. It has an installed capacity of 145 tons of rice per day with a capacity utilization of 100% during peak season (Oct – March) and around 65% during the remaining period of the year. In FY 13, the Firm has enhanced the capacity from 4TPH to 6 TPH.

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

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 AL Overseas and has a business experience of over 2 decades.

Financials

The Gross Sales of the Firm has increased from Rs.36.63 Cr (FY12) to Rs.48.73 Cr (FY13). The profit after tax of the Firm though at lower levels has increased from Rs.0.18 Cr (FY12) to Rs.0.36Cr (FY13) and the margins show an improvement from 0.50% (FY12) to 0.70 % (FY13). The tangible net-worth of the Firm has increased from Rs.4.44 Cr (FY12) to Rs.5.90 Cr (FY13). The ROCE has gone up from 7.91% (FY12) to 9.90% (FY13), however due to increase in debt component along with infusion of additional capital into the business. The current ratio of the Firm at 1.40 (FY13), reflects Firm's ability to optimally utilize the working capital limits.

Rating Outlook

Going forward, ability of ALO to effectively capitalize on marketing its in-house brands (Capital and Shaurat), effectively manage volatility in raw material prices and its availability, which are essential to improve the firm's margins, liquidity position and profitability while achieving the envisaged growth would remain the key rating factors.

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