



Rating Rationale

A.M Rice Mills

11 Jan 2019

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 16.00 Crores of A.M Rice Mills(AMRM)

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund Based			
Cash Credit	12.00	Long Term	BWR BB- [Pronounced as BWR Double B Minus] Outlook: Stable
Packing Credit	4.00	Short Term	BWR A4 [Pronounced as BWR Single A Four]
FDBP/FUDBP/FCBRD	(4.00)		
Total	16.00	INR Sixteen Crores Only	

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financial results up to FY18, publicly available information and information/clarifications provided by the firm's management.



The rating has factored, inter alia, long existence of the firm in rice milling business, moderate scale of operations, moderate current ratio and locational advantages.

However, the rating is constrained by intense competition, low profitability margins, high conversion cycle and agro climatic risks.

Going forward, ability of the company to increase its scale of operations, to improve its profitability margins, to increase its net worth and to service its debt obligations on time would be the key rating sensitivities of the company.

Description of Key Rating Drivers:

- **Credit Strengths:**

Long existence in the business:- AMRM was established in 1986. Thus, it has been in existence for about 2 decades and has developed strong relationship with its customers and suppliers .

Moderate scale of operations:- The scale of operations remain moderate as indicated by total operating income of Rs 41.99cr in FY18 against Rs 44.08cr in FY17. However, it had decreased from Rs 51.56cr in FY16 to Rs 44.08cr in FY17 due to fluctuation in prices.

Moderate current ratio :- The current ratio was about 1.16 times in FY18 against about 1.21 times in FY17.

Locational advantages:- AMRM is located in Karnal, Haryana which is one of the leading producers of rice in India. Thus, it has easy access to paddy which they purchase locally.

- **Credit Risks:**

Highly competitive and fragmented industry with government regulations affecting profitability:- Low entry barriers makes the industry highly fragmented and competitive. Further, vagaries of agro industry



and high government regulations over fixed Minimum Support Price which in turn is showing increasing trends limits profitability.

Thin profitability margins:- The profitability margins remains low as indicated by operating profit margins of about 4.84% in FY18 against about 4.52% in FY17. Also, net profit margins remain low at about 0.17% in FY18 against about 0.16% in FY17.

High conversion cycle:- The conversion cycle was about around 155 days in FY18 against around 134 days in FY17. It remains higher due to higher days inventory. The increase in FY18 is due to increased days inventory which rose to around 145 days in FY18 from around 119 days in FY17.

Vulnerability to the vagaries of monsoon & other agro climatic risks:- The performance of the rice industry depends on the vagaries of monsoon and remains vulnerable to agro climatic risks.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Support from Holding/Subsidiary company:-
AMRM has no Holding or Subsidiary company.

Liquidity:-

Liquid investments were Rs 0.18Cr and Cash & bank balances were Rs.0.02Cr as on March 31 2018. Average working capital utilization for the six months period (June 2018 to November 2018) is 95%, utilisation is uneven with 75-90% in some months. The company has long term borrowings to the extent of Rs 3.03cr as of March 31 2018 and the fixed maturing obligations due in FY19 are Rs 0.08cr. The average receivable cycle is at 17 days and the average conversion cycle is at 134 days. The current ratio was moderate at about 1.16 times in FY18. The company has weak debt protection metrics as seen by ISCR & DSCR at 1.30 times and 0.96 times respectively as on March 31 2018.



Rating Outlook: Stable

BWR believes that **A.M Rice Mills'** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

Established in 1986, A.M Rice Mills (AMRM) is a partnership firm engaged in rice milling. It is located in Karnal, Haryana. It is promoted by Mr. Anil Gupta & Mr. Abhishek Gupta having an experience of about 40 years and 7 years respectively in this industry. Around 70% of the output is sold to various rice exporters around Delhi, Punjab & Haryana. Rest 30% is sold in the domestic market and is directly exported. Around 70% of the output is non-basmati rice. It sells under the brand 'Today' & 'Ampure'. It has an installed capacity of 4 tonnes (40 quintals) per hour and 90% of the installed capacity gets utilized.

Firm's Financial Performance:

As per audited financials of FY18, the company has achieved a revenue of Rs 41.99cr and PAT of Rs 0.07cr against Rs 44.08cr and Rs 0.07cr respectively in FY17. Net Worth of the company stood at Rs 5.55cr in FY18 against Rs 5.43cr in FY17



Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2018)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2017	2016	2015
	Fund Based	Long Term	12.00	BWR BB- [Pronounced as BWR Double B Minus] (Outlook: Stable)	NA	NA	NA
		Short Term	4.00	BWR A4 [Pronounced as BWR Single A Four]	NA	NA	NA
	Total		16.00	₹ Sixteen Crores Only			

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

Key Financial Indicators

Key Parameters	Units	2018 (Audited)	2017 (Audited)
Result Type			
Operating Revenue	₹ Cr	41.99	44.08
EBITDA	₹ Cr	2.03	1.99
PAT	₹ Cr	0.07	0.07
Tangible Net worth	₹ Cr	5.55	5.43
Total Debt/Tangible Net worth	Times	2.85	2.41
Current Ratio	Times	1.16	1.21

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)

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For any other criteria obtain hyperlinks from website



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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 10,00,000 Cr. In addition, BWR has rated over 6300 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹24,440 Cr have been rated.

DISCLAIMER

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