



## RATING RATIONALE

8 Sept 2020

### A.M. Rice Mills

**Brickwork Ratings reaffirms the rating for the Bank Loan Facilities of ₹ 16.00 Crores of A.M. Rice Mills**

#### Particulars:

Facility**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (May 2020)	Present
Fund Based	16.00	16.00	Long Term	BWR BB-Stable (Reaffirmed) Issuer Not Cooperating#	BWR BB-Stable (Reaffirmed)
Non-fund Based	(4.00)	(4.00)	Short Term	BWR A4 (Reaffirmed) Issuer Not Cooperating#	BWR A4 (Reaffirmed)
<b>Total</b>	<b>16.00</b>	<b>16.00</b>	<b>INR Sixteen Crores Only</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

\*\* Details of Bank facilities is provided in Annexure-I

#Issuer did not cooperate, based on best available information.

#### RATING ACTION / OUTLOOK : Stable

BWR has reaffirmed the long term rating at “BWR BB-” with “Stable” outlook and short term rating at BWR A4 for the bank loan facilities of A.M. Rice Mills. The rating draws strength from the experienced promoters and modest scale of operation. However, the rating is constrained on account of average financial risk profile, and risks associated with partnership concern.

The rating outlook has been assigned as "Stable" as BWR believes that A.M. Rice Mills's 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 there is improvement in revenues and profit margins. The rating outlook may be revised to 'Negative' if there is any deterioration in financial risk profile or liquidity issues.

#### KEY RATING DRIVERS

##### Credit Strengths:

- **Experienced promoters:** Mr. Anil Gupta & Mr. Abhishek Gupta who has an experience of about 40 years and 7 years respectively in this industry. Having a vast business experience enables them to navigate a challenging business environment and negotiate better business terms with various stakeholders.



- **Modest scale of operations:** The sales for FY 19 was reported at Rs 39.27 crs, a marginal decrease from Rs 41.91 crs in FY 18. Even though there was a decrease in sales, bottom line grew marginally to Rs 0.08 crs in FY 19 against Rs 0.07 crs in FY 18

### Credit Challenges

- **Average financial risk profile:** In FY 19 the firm reported TNW of Rs 2.91 crs an increase from Rs 2.60 crs in FY 18. The debt to equity ratio in FY 19 was 6.68x an improvement from 7.23x in FY 18. The DSCR & ISCR in FY 19 were 0.95x & 1.18x respectively from 0.96x and 1.20x in FY 18. The Operating Profit Margins reported by the entity in FY 19 were extremely low at 5.01% whereas in FY 18 the same were reported at 4.84%. A similar trend is observed in the Net Profit Margins wherein the reported figures for FY 19 were 0.19% against 0.17% in FY 18. Also, conversion cycle in FY 19 was reported at 183 days vs 155 days in FY 18. This high level of conversion cycles is due to the long inventory holding period given the nature of the industry. The current ratio in FY 19 was also modest at 1.24x compared to 1.16x in FY 18.
- **Risks associated with partnership concern:** Given the partnership nature of the firm's constitution, there is an inherent risk of possibility of withdrawal of partner's capital for any personal contingency that could adversely impact the capital structure of the firm.

### ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

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

### RATING SENSITIVITIES

Going forward, the ability of the firm to improve its financial risk profile and maintaining adequate liquidity will remain the key rating sensitivities.

**Positive:** The rating may be upgraded if the company inter alia, is able to improve its topline, profit margin or on account of any other favourable factor.

**Negative:** The rating may be downgraded if inter alia, there is any deterioration in financial risk profile, fails to maintain adequate liquidity or on account of any unforeseen unfavourable events.

### LIQUIDITY POSITION : Adequate

There is no subsidiary.

The entity has no liquid investments, and cash balances in FY19 (Audited) is Rs. 0.20 crs. The Cash Credit Utilization from Feb-20 to July-20 stands at 77.14%. Conversion Cycle is at 183 days in FY19 (Audited). There is a Long term borrowings of Rs 3.56 crs in FY 19 includes loans



from related parties of Rs 3.50 crs (these loans are interest free and have no fixed repayment obligations), the miscellaneous amount is of car loan. The company has not provided cash flows for the same. The company has a DSCR of 0.95x & ISCR of 1.18x in FY19 (Audited). Current ratio of the company stands at 1.24x in FY19 (Audited).

### COMPANY PROFILE

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.

### KEY FINANCIAL INDICATORS (in ₹ Cr)

Key Parameters	Units	FY 2019	FY 2018
Result Type		Audited	Audited
Operating Income	₹ Cr	39.39	41.99
EBITDA	₹ Cr	1.97	2.03
PAT	₹ Cr	0.08	0.07
Tangible Net Worth	₹ Cr	2.91	2.60
Total Debt/TNW	Times	6.68	7.23
Current Ratio	Time	1.24	1.16

**KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: NA**

**NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY : Nil**

**RATING HISTORY FOR THE PAST THREE YEARS [including withdrawal and suspended]**

Facilities	Current Rating			Rating History		
	Tenure (Long Term/ Short Term)	Amount (₹ Cr)	Rating	2019	2018	2017
<b>Fund Based</b>	Long Term	16.00	BWR BB- Stable (Reaffirmed) May, 2020 <b>BWR BB- Stable (Reaffirmed)</b> <b>Issuer Not Cooperating*</b>	BWR BB- Stable (Assigned)	NA	NA
<b>Non-fund Based</b>	Short Term	(4.00)	BWR A4 (Reaffirmed) May, 2020 <b>BWR A4 (Reaffirmed)</b> <b>Issuer Not Cooperating*</b>	BWR A4 (Assigned)		
<b>Total</b>		<b>16.00</b>	<b>INR Sixteen Crores Only</b>			

\* Issuer did not cooperate, based on best available information.

**COMPLEXITY LEVELS OF THE INSTRUMENTS**

For more information, visit [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf)

**Hyperlink/Reference to applicable Criteria**

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Services Sector](#)

Analytical Contacts	Investor and Media Relations
<p><b>Chaitanya Tambe</b> Primary Analyst +91 22 2831 1426/6745 6666 Ext: 616 <a href="mailto:chaitanya.t@brickworkratings.com">chaitanya.t@brickworkratings.com</a></p> <p><b>V K Kukreja</b> Associate Director - Ratings B :+91 11 2341 2232 <a href="mailto:kukreja.vk@brickworkratings.com">kukreja.vk@brickworkratings.com</a></p>	<p>Liena Thakur Assistant Vice President - Corporate Communications +91 84339 94686 <a href="mailto:liena.t@brickworkratings.com">liena.t@brickworkratings.com</a></p>



**A.M. Rice Mills  
ANNEXURE I**

**Details of Bank Facilities rated by BWR**

Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
PNB	CC	16.00	-	16.00
	BD	-	(4.00)	(4.00)
TOTAL				16.00

**INR Sixteen Crores Only**

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**About Brickwork Ratings :** Brickwork Ratings (BWR), a Securities and Exchange Board of India [SEBI] registered Credit Rating Agency and accredited by Reserve Bank of India [RBI], offers credit ratings of Bank Loan, Non- convertible / convertible / partially convertible debentures and other capital market instruments and bonds, Commercial Paper, perpetual bonds, asset-backed and mortgage-backed securities, partial guarantees and other structured / credit enhanced debt instruments, Security Receipts, Securitisation Products, Municipal Bonds, etc. BWR has rated over 11,400 medium and large corporates and financial institutions' instruments. BWR has also rated NGOs, Educational Institutions, Hospitals, Real Estate Developers, Urban Local Bodies and Municipal Corporations. BWR has Canara Bank, a leading public sector bank, as one of the promoters and strategic partners. BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

**DISCLAIMER** Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented "as is" without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.