



**RATING RATIONALE**

**23 June 2020**

**AMDD FOODS PRIVATE LIMITED**

**Brickwork Ratings reaffirms the ratings of Bank Loan Facilities of Rs. 185.05 Crs of AMDD Foods Private Limited**

**Particulars:**

Facility**	Amount (Rs Crs)		Tenure	Rating*	
	Previous	Present		Previous Rating (08 April 2019)	Present Rating
<b>Fund-Based</b>	<b>187.14</b>	<b>95.05</b>	<b>LongTerm</b>	<b>BWR BBB (Stable)</b>	<b>BWR BBB (Stable) (Reaffirmation)</b>
<b>Non Fund Based</b>	<b>90.00</b>	<b>90.00</b>	<b>Short Term</b>	<b>BWR A3+</b>	<b>BWR A3+ (Reaffirmation)</b>
<b>Total</b>	<b>277.14</b>	<b>185.05</b>	<b>Rs One Hundred Eighty Five Crores and Five Lakhs only</b>		

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

\*\* Details of bank facilities are provided in Annexure-1

**RATING ACTION / OUTLOOK**

Brickwork Ratings (BWR) has reaffirmed the long and short-term ratings of AMDD Foods Private Limited (AMDDFPL or the Company).

**KEY RATING DRIVERS**

BWR has principally relied on the audited financial results upto FY 19, Provisional Financials of FY 20, projected financial results of FY 20 and FY 21, and publicly available information and clarification provided by the company's management.



The ratings continue to take into account the steady revenue growth registered by the company and sustainability of its profitability margins over the years. The rating continues to benefit on account of its established operational track record and long experience of the promoters in the basmati rice industry; wide distribution network and its established relationships with domestic and export clients. However, the ratings remain constrained by the high working capital intensity of the business as the industry participants, are required to maintain sizeable inventory, given the seasonality in availability of basmati paddy (October to December). Thus, any slowdown in demand and consequently the realizations exposes the industry to risks of inventory write-offs. The ratings also factor in the competitive and fragmented nature of the industry which limits the pricing flexibility of the industry participants; which is further accentuated in the light of continued pressure/volatility in basmati rice prices, especially in the export market. The group is also exposed to agro climatic risks; and changes in government regulations and trade policies, both in the domestic as well as importing countries, customer concentration risk.

The rating outlook continues to be stable on account of Order book position of Rs 303.46 Crs which shows revenue visibility in short to medium term /next fiscal even in slowdown in global economy.

### **Rating Strengths**

**Established operational track record; several-decade-long experience of promoters in the Basmati rice industry** – AMDD is promoted by DDIPL- DDIPL is a fully-integrated rice company with an operational track record of over four decades. Moreover, the company's management have several-decades-long experience in the Basmati Rice industry. Company benefits from its established group track record.

**Strong brand presence; position among Basmati rice exporters in India** – Company benefits from its established group track record and its own long track record and brand presence in the export market.

**Good growth in Operating Income over the years and comfortable order book position** The Operating Income of the company increased by 27 % from Rs 465.8 Crs in FY18 to Rs 590.38 Crs in FY19 due to increase in quantity sold and improved price realisation. Operating income improved to Rs 715.67 Crs in FY 20 (provisional) due to increase in quantity sold and improved price realisation. The Order book position is comfortable as indicated by the export order book position of Rs 303.46 Crs which shows revenue visibility in short and medium term.



## **Rating Weakness**

**High working capital intensity** – The company’s working capital intensity remains high, primarily due to high inventory levels given the seasonality in the availability of Basmati paddy and need to store the rice for ageing, which improves the quality of rice and attracts premium pricing. However, it has been around 64.37 % for last fiscal FY 20 due to low utilisation of working capital debt, however, it is expected to be high in the current fiscal due to reduction in sanctioned limits.

**Intense competition** – The Basmati rice industry is highly fragmented and is marked by the presence of numerous players. This intensifies competition and limits the pricing flexibility of the industry participants.

**Exposure to foreign exchange risk** - As exports constitute a significant percentage of the turnover, the company remains exposed to currency fluctuations to the extent of unhedged exposure. However, it has a hedging mechanism in place to reduce any impact of fluctuation in foreign exchange rates through Export Packing Credit and Forward Cover Limits.

**Exposure to agro-climatic risks and changes in trade policies** - Given its operations in an agro-based industry, the company is exposed to agro-climatic risks such as raw material availability, its quality and pricing. Moreover, the company is exposed to changes in trade policies of key importing countries, which can impact export revenues. Though, the group derives strength from the fact that the company has major exports to Saudi Arabia and less exports to Iran resulting in lower trade policies risk.

**Customer Concentration Risk** : Out of total exports of Rs 302.35 crores in FY19, Rs 244.26 crores exports was to a single customer in cash against documents/LC basis leading to counterparty risk. However, counterparty risk is mitigated to some extent due to long term relationship.

**Average debt-protection metrics and high gearing** -The debt protection metrics of the company was average as indicated by ISCR of 2.06 x in FY 19 as against 1.97 x in FY 18 and DSCR of 1.46 x in FY 19 as against 1.33 x in FY 18. Gearing (Analysed) stood at 1.77 x in FY 19 against 1.86 x in FY 18.

## **Analytical Approach**

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



### **RATING SENSITIVITIES**

**Positive:** BWR may revise the ratings upwards if the company's scale of operations, net profit and EBITDA improve from current levels, with other metrics, such as the gearing, debt protection metrics and liquidity, also favoring an upgrade.

**Negative:** BWR may revise the ratings downwards if the company's scale of operations, net profit and EBITDA decline from current levels, with other metrics, such as the gearing, debt protection metrics and liquidity, also favoring a downgrade .

### **Liquidity Position (Adequate):**

Working capital utilisation has been around 64.37 % for the last fiscal FY 20. Working capital utilisation is seasonal in nature; it is high over procurement period and low afterwards. The current ratio stood at 1.24 x in FY 19. The sources of funds in FY 19 include cash accruals of Rs. 19.97 Crs in FY19, the usage of funds in FY 19 - Current portion of long-term debt of Rs 2.16 Crs.

**About the Company:** Promoted by M/s. D.D. International Pvt. Ltd, AMDD Foods Private Limited was established in 2013 as a Amritsar based Basmati Rice company focusing on export and domestic Market. The company's business is concentrated in the Middle East market . The company's mill is located in Taran Taran , Amritsar .The company markets its products in its own brand Silver grain , Mehak, through well-established distributors in the states of Maharashtra , Gujrat , Andhra Pradesh, Telangana, Karnataka , Tamil Naidu , Rajasthan, Delhi, UP, Uttarakhand , Punjab , Haryana, West Bengal . Further majority of the Exports are due to relationships developed over a period of four decades under the Golden grain brand .

The company has installed capacity of 8MTPH and capacity utilisation is optimum at 98 % in FY 18

The company was promoted by Mr. Surinder Mohan Bhatia and Mr . Chander Mohan Bhatia. Now, it is being managed by Mr. Salil Bhatia, Mr. Satyen Bhatia and Mr. Gaurav Bhatia. They are all full time Directors of this company .



**KEY FINANCIAL INDICATORS**

<b>Key Parameters</b>	<b>Units</b>	<b>FY 18</b>	<b>FY 19</b>
<b>Result Type</b>		<b>Audited</b>	<b>Audited</b>
Operating Income	Rs in Crs	465.82	590.38
EBITDA	Rs in Crs	40.69	41.75
PAT	Rs in Crs	14.28	17.02
Tangible Net Worth (Analysed )*	Rs in Crs	126.51	143.65
Total Debt/Tangible Net Worth (Analysed) *	Times	1.86	1.77
Current ratio	Times	1.25	1.23

**\*Considering unsecured Loans as quasi equity**

**KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED - Not applicable**

**NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY - Crisil has moved the rating to Issuer Not cooperating category on 02 Aug 2019 .**

**RATING HISTORY for last three years including (withdrawal and suspended ratings )**

Instrument / Facilities	Current Rating (2020)*				Rs in Crs						
	Tenure (Long Term/ Short Term)	Amount (Rs Crs)	Rating		08 April 2019			20 March 2018			2017
Bank Loan	Fund Based	Long Term	95.05	BWR BBB (Stable) (Reaffirmation)	FB	187.14	BWR BBB (Stable) (Upgrade)	FB	49.54	BWR BBB- (Stable)	-
	Fund Based	Short Term	90.00	BWR A3+ (Reaffirmation)	FB	90.00	BWR A3+ (Upgrade)	FB	210.00	BWR A3	-
<b>Total</b>	185.05		<b>Rs One Hundred Eighty Five Crores and Five Lakhs Only</b>								

\*Rating was moved to Rating Not Reviewed category on 09 April 2020



**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**
- **Manufacturing Sector**
- **Short Term Debt**

**Hyperlink/Reference to applicable Criteria**

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**AMDD Foods Private Limited**

**ANNEXURE I -Details of Bank Facilities rated by BWR**

Sl. No.	Name of the Bank	Type of Facilities	Long Term (Rs Crs)	Short Term	Total (Rs Crs)
1	OBC	Cash credit	40.00		40.00
		Packing Credit		90.00	90.00
		Term Loans	5.05		5.05
2	Union Bank of India	Advance against warehouse receipts	50.00		50.00
			95.05	90.00	185.05

**Rs One Hundred Eighty five crores and five lakhs only.**

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About Brickwork Ratings :Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, 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 leading public sector 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, 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