



## Rating Rationale

AMDD Foods Pvt. Ltd.

20<sup>th</sup> March 2018

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of Rs. 259.54 of AMDD Foods Pvt. Ltd

### Particulars

Facility	Amount	Tenor	Rating
Fund Based	49.54	Long Term	BWR BBB- (Pronounced as BWR Triple B Minus) / Outlook: Stable
Fund Based/NonFund Based	210	Short Term	BWR A3 (Pronounced as BWR A Three)
Total	259.54	(INR Two Hundred Fifty Nine Crores and Fifty Four Lakhs Only)	

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

### Rating Assigned

#### Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the standalone audited financial results up to FY17, Consolidated audited financials of the group upto FY17, publicly available information and information/clarification provided by the company's management

The ratings continue to take into account the steady revenue growth registered by the Group and sustainability of its profitability margins in FY2017, primarily supported by its strong presence. The company 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

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(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.

### **Rating Outlook: Stable**

BWR believes the AMDD Foods Pvt. Ltd 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**

Promoted by M/s. D.D. International Pvt. Ltd, AMDD Foods Private Limited is founded in 1995 as a Amritsar based Basmati Rice trading company focusing Export Market.

**About The Group:** Incorporated in 1979, DDIPL (parent company) processes and sells basmati rice. The company's rice-processing unit is located in Karnal (Haryana). Till fiscal 2009, the company was engaged in grading and sorting of rice and commenced milling of rice in August 2009. It has milling capacity of 24 metric tonnes per hour (mtph). DDIPL procures its requirements of paddy and semi-finished rice from local mandis in Punjab and Haryana. The company exports its basmati rice production mainly to the Middle East.. The company was founded by Mr. Surinder Mohan Bhatia and Chander Mohan Bhatia. Now, it is being managed by Mr. Salil Bhatia, Mr. Satyen Bhatia and Mr. Gaurav Bhatia under the guidance of their elders. They are all full time Directors of D.D. International (P) Ltd.

Key Rating Drivers

### **Credit 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 three decades. Moreover, the company's management have several decades-long experience in the Basmati rice industry.



- **Strong brand presence; position among Basmati rice exporters in India** – Company benefits from its established group, which benefits from its established operational track record, experienced promoters, wide distribution network and established client base.
- **Comfortable debt-protection metrics** - Healthy internal accrual generation translates into reduced reliance on external debt for meeting funding requirements.
- **Comfortable liquidity position** - The company's liquidity position is supported by robust internal accrual generation, no major debt-funded capex and debt repayment liability.
- **Growth in Revenue and Strong Order Book Position** – Revenue is improved by 27.7% in FY17 as compared to FY16 and has achieved Rs. 350 Crs till December 31st, 2017 and has export orders of Rs. 334 Crs as on February 25th, 2018.

#### **Credit 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.
- **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.
- **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 into lower trade policies risk.



### Company's Financial Performance

Key Parameters	FY16(A)	FY17 (A)
Gross Sales	418.54	534.67
Operating Profit Margin	8.02	7.84
Net Profit Margin	2.84	2.73
TNW	55.19	69.87
Total Borrowings	276.67	283.57
TOL/TNW	4.92	4.00
DSCR	1.43	1.32
ISCR	2.18	1.99
Current Ratio	1.2	1.24

### Group's Financial Performance

Key Parameters	FY16(A)	FY17 (A)
Total Operating Income	1733.86	1933.65
Operating Profit Margin	6.86	6.41
Net Profit Margin	1.31	1.67
TNW	210.59	243.16
Total Borrowings	996.31	1174.87
Total Debt To Equity	4.73	4.83
TOL/TNW	5.58	5.52
ISCR	1.45	1.49
DSCR	1.31	1.43
Current Ratio	1.16	1.16



**Rating History for the last three years (including withdrawn/suspended ratings)**

Sl. No.	Instrument/Facility	Current Rating (Year 2017)			Rating History		
		Type (Long Term/Short Term)	Amount (Rs Crs)	Rating	Date in 2017	Date in 2016	Date in 2015
	<b>Fund Based</b>	<b>Long Term</b>	<b>49.54</b>	<b>BWR BBB-</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>
	<b>Fund Based/Non Fund Based</b>	<b>Short Term</b>	<b>210</b>	<b>BWR A3</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>

**Hyperlink/Reference to applicable Criteria**

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

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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](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto: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 ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

### **DISCLAIMER**

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