



Rating Rationale

AMDD Foods Private Limited

08 April 2019

Brickwork Ratings revises the ratings for the Bank Loan Facilities of Rs. 277.14 Crs of AMDD Foods Pvt. Ltd

Particulars

Facility	Previous Amount (₹ Crs)	Amount (₹ Crs)	Tenure	Previous Rating*	Present Rating
Fund based	49.54	187.14	Long Term	BWR BBB - (Pronounced as BWR Triple B minus) Outlook : Stable.	BWR BBB (Pronounced as BWR Triple B) Outlook : Stable (Upgrade)
Fund Based	210.0	90.0	Short Term	BWR A3 (Pronounced as BWR Single A Three)	BWR A3+ (Pronounced as BWR Single A Three Plus) (Upgrade)
Total	259.24	277.14	INR Two Hundred Seventy Seven Crores and Fourteen Lakhs Only		

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

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the standalone audited financial results up to FY18, Projected Financials upto FY 20 , 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 , sustainability of its profitability margins in FY2018, primarily supported by its strong presence and strong network.



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 (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.

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. 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 export market .

Comfortable debt-protection metrics and comfortable promoter's support by way of funding - Healthy internal accrual generation translates into reduced reliance on external debt for meeting funding requirements. Long term borrowings in FY 18 consists of Rs 42.24 crores of unsecured loans from directors and shareholders which is considered as quasi equity .

Growth in revenue and strong order book position - The Operating Income of the company decreased to Rs 465.82 crores in FY 18 from Rs 534.6 crores in FY 17 due to fall seen in the total quantity sold . However the company has achieved operating income of Rs 562.22 crores against the projected operating income of Rs 600 crores in FY 19 , thus likely to be close to the projected topline . Further the company has an order book position of Rs 291.19 crores as on 15 March 2019 which will be executed within the next six months .

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.

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). Long Term Borrowings include Rs 42.24 crores of unsecured loans which are treated as quasi equity .

Additional Disclosures

The company is a subsidiary of DD International Pvt. Ltd. M/s. DD International Private Limited has extended its Corporate Guarantee to the lenders of **AMDD Foods Private Limited**

Liquidity - Working capital utilization is greater than 85 % in season . Current ratio stood at 1.26 x in FY 18 . The company has cash accruals of Rs 16.96 crores and cash conversion cycle of 258 days in FY 18 which indicates stretched cycle due elongated inventory days of 209 days .

Rating Outlook: Stable

BWR believes the **AMDD Foods Private Limited** 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 was established in 2013 as a Amritsar based Basmati Rice company focusing in export and domestic Market. The company's business is concentrated in 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 direct with personal relationship developed over a period of three decades under Golden grain brand .

The company has installed capacity of 691200 quintals and capacity utilisation is optimum at 79.80 % 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

Key Parameters	Units	2017	2018
Result Type		Audited	Audited
Operating Revenue	₹ Cr	534.67	465.82
EBITDA	₹ Cr	41.90	40.69
PAT	₹ Cr	14.58	14.28
Tangible Net worth (Analysed)	₹ Cr	112.12	126.51
Total Debt/ Tangible Net worth (analysed)	Times	2.15	1.86
Current Ratio	Times	1.24	1.26

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

S.No	Instrument /Facility	Current Rating (2019)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2018	2017	2016
1	Fund Based	Long Term	187.14	BWR BBB (Pronounced as BWR Triple B Outlook :Stable (Upgrade)	BWR BBB- (Pronounced as BWR Triple B minus)	N.A	N.A
2	Fund Based	Short Term	90.00	BWR A3+ (Pronounced as BWR Single A Three Plus) (Upgrade)	BWR A3 (Pronounced as BWR Single A Three)	N.A	N.A
	Total		277.14	₹ INR Two Hundred Seventy Seven Crores and Fourteen Lakhs Only			

Status of non-cooperation with previous CRA - Not Applicable

Any other information - Not Applicable.

Hyperlink/Reference to applicable Criteria

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

For any other criteria obtain hyperlinks from website



Analytical Contacts	Media
<i>RK Sharma</i> <i>Senior Director-Ratings</i>	media@brickworkratings.com
analyst@brickworkratings.com	Relationship Contact
	bd@brickworkratings.com
Phone: 1-860-425-2742	

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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, 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

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