

Rating Rationale

A S Rice Industries

27th December 2017

Brickwork Ratings reaffirms the long term rating for the Bank Loan Facilities of Rs. 5.91 Cr of A S Rice Industries

Particulars

Facility Rated	Amount (Rs. Crs)		Tenure	Rating*	
	Previous (Oct' 2016)	Present (Dec' 2017)		Previous	Present
Fund Based			Long Term	BWR B (Pronounced BWR Single B) Outlook: Stable	BWR B (Pronounced BWR Single B) Outlook: Stable Reaffirmed
Term Loan (New)	1.50	1.08			
Term Loan (Old)	0.43	0.23			
Cash Credit	4.00	4.00			
Stand By Line of Credit	0.60	0.60			
Total	6.53	Rs. 5.91 Crore (Rupees Five Crore and Ninety One Lakhs Only)			

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

Note: Aforementioned facilities are availed from State Bank of India, T Narasipur.

Rating Reaffirmed

Brickwork Ratings (BWR) has reaffirmed the long term rating of 'BWR B' (Outlook: Stable) for the bank loan facilities amounting to Rs.5.91 Cr of A S Rice Industries.

Rationale/Description of Key Rating Drivers/Rating sensitivities

BWR has essentially relied upon the audited financial results upto FY17 and projections for FY18, publicly available information and information/ clarifications provided by the firm's management.

The rating reflects the partner's experience in rice milling industry, established relationship with suppliers and customers, proximity of the mill to rice growing area which results in easy availability of paddy and favorable demand prospects for rice industry with rice being a staple food in South India. The ratings, however, is constrained by declining revenue over the last three years, low net profitability margin, stretched conversion cycle on account of increased inventory holding period, inherent risk in the constitution of firm, seasonality risk in agri products and intensely competitive industry.



Going forward, the ability of the firm to improve its profitability, while retaining its scale of operations and managing its working capital requirements efficiently, would be the key rating sensitivities.

Rating Outlook: Stable

BWR believes the **A S Rice Industries** 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.

Key Rating Drivers

Credit Strengths:

- Partners have more than a decade of experience.
- A decade long relationship with customers and suppliers

Credit Weakness:

- Revenue has decreased from Rs. 20.15 Cr in FY15 to Rs. 16.06 Cr in FY16 to Rs. 15.80 Cr in FY17.
- Profit margin is low at 0.54% and stretched conversion cycle of 118 days in FY17.

About the Firm

A S Rice Industries, established in 2011, is a partnership firm engaged in paddy milling and trading of Parboiled rice. The partners of the firm are Mr. K Mohammed Nasrulla, his younger son Mr. N Faheemulla and Ms. Hajira Begum (Wife of Mr. N Faheemulla). It is located in T Narasipur Taluk in Mysore, Karnataka. The firm's rice processing unit is spread across ~8400 SqFt, with an installed capacity of 5TPH (Tons Per Hour) of Paddy. Currently, it is utilizing about 55% of the installed capacity. Major rice varieties processed by the firm are Jaya, Purva and Jyoti, which are sold under own brand name of 'A S Premium' and 'Rice Pure'. Firm also sells its by-products like bran and broken rice.

Mr. N Faheemulla is the Managing Partner of the firm and looks after the daily activities of firm's operations. He is a commerce graduate and has more than a decade of experience in rice milling industry. His father, Mr. K Mohammed Nasrulla had been involved in paddy milling and rice trading business since last five decades.

Company Financial Performance

As per the audited financials of FY17, net revenue of the firm has declined marginally from Rs. 16.06 Cr in FY16 to Rs. 15.81 Cr in FY17. Operating profit, however, has increased from Rs. 0.67 Cr in FY16 to Rs. 0.87 Cr in FY17. Thereby, the net profit has also increased from Rs. 0.06 Cr in FY16 to Rs. 0.09 Cr in FY17. Tangible net worth of the firm has increased from Rs. 2.84 Cr in FY16 to Rs. 3.19 Cr in FY17 on account of infusion of fund. Cash conversion cycle has increased

further from above three months in FY16 to close to four months in FY17. The bankers have informed that the account is standard and conduct of account is satisfactory.

Key Financial Indicators

	FY17	FY16
Total Operating Income (Rs. Cr)	15.81	16.06
EBIDTA (Rs. Cr)	0.87	0.67
PAT (Rs. Cr)	0.09	0.06
Tangible Net worth (Rs. Cr)	3.19	2.84
Total Debt : Tangible Net Worth (Times)	1.73	1.40
Current Ratio (Times)	1.31	1.39

Rating History for the last three years:

Sl. No.	Instrument/ Facility	Current Rating (Year 2017)			Rating History		
		Type	Amount (Rs Crs)	Rating	2016	2015	2014
1	Term Loan (New)	Long Term	1.08	BWR B (Outlook : Stable) Reaffirmed	BWR B (Outlook: Stable)	Not Rated	Not Rated
2	Term Loan (Old)		0.23				
3	Cash Credit		4.00				
4	SLC		0.60				
Total			5.91	INR Five Crore and Ninety One Lakhs Only			

Hyperlink/Reference to Applicable Criteria

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

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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 ₹ 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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