

RATING RATIONALE

26 Dec 2019

AS Rice Mills LLP.

Brickwork Ratings revises the ratings for the bank loan facilities of Rs. 19.45 Crs of AS Rice Mills LLP. (ASRML).

Particulars:

Facility Rated #	Previous (Rs. Crs)	Present (Rs. Crs)	Tenure	Rating History June, 2019	Rating ¹
<u>Fund Based</u>					
Term Loan	9.80	9.45	Long Term	BWR B Stable	BWR B+ Stable (Upgraded)
Cash Credit	4.00	8.00			
Loan Against Warehouse Receipts	-	2.00			
Total	13.80	19.45	Rupees Nineteen Crore and Forty Five Lakhs Only		

¹ Please refer to BWR website www.brickworkratings.com for definition of the ratings

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

Rating Action/Outlook:

The rating upgradation factored improved financial risk profile of the firm with improved net worth, extensive experience of the promoters of over 3 decades in trading business, strong dealership network in Bihar (since they are into commodity trading for the past 40 years), locational advantage with proximity to raw material suppliers and favourable demand prospects of the industry. The rating strengths are partially offset by nascent stage of operations of the firm, working capital intensive nature of business, intense competition in the food processing industry and susceptibility of raw material availability to agro-climatic conditions.

The Rating has been assigned a Stable outlook as the business risk profile of the firm is expected to be stable and the growth in the business and profitability is expected to be maintained in the medium term.



KEY RATING DRIVERS

Credit Strengths:

- **Experienced management:** The promoters of the Firm, Mr. Sumit Sancheti and Mr. Amit Sancheti have more than three decades of experience in trading of rice & pulses. They have a strong dealer network in Bihar.
- **Proximity to Raw Material Suppliers:** The Firm has established its operations in the Purnea district of Bihar, which has proximity to paddy procurement from suppliers and selling rice to various customers.
- **Favourable demand prospects of the industry:** The demand prospects of rice are expected to remain stable as rice and rice-based products form an essential ingredient of the Indian diet.
- **Locational Advantages:** The Firm is situated on NH 57 and has the advantage of good connectivity, making transportation easy and economical.

Credit Weaknesses :

- **Nascent stage of operations:** Though the firm was established in 2017, commercial operations started in March, 2019. It has reported revenue of Rs.0.23 Crs in FY19.
- **Intense competition:** Intense competition prevailing in the rice-milling industry, characterized by the presence of a large number of players along with a low value-additive nature of operations, limits the firm's pricing flexibility and keeps the profit margins under check.
- **Susceptibility of raw material availability to agro-climatic conditions:** The Rice-milling industry is exposed to agro-climatic risks which might affect the availability of paddy in adverse weather conditions.
- **Working Capital intensive nature of business:** Operations of the Firm are working capital intensive where high inventory & receivables are maintained.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA :

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

RATING SENSITIVITIES

Positive:

- The Rating may be upgraded if there is an improvement in overall financial risk profile along with improvement in tangible net worth.

Negative :

- The ratings may be downgraded if there is any delay in payments of its debt obligations and deterioration of the financial position of the firm.

LIQUIDITY POSITION: Adequate

The firm's liquidity has been adequate with working capital utilization of around ~80 percent during the last six months.

About the Firm

A S Rice Mills LLP (ASRML) is a Limited Liability Partnership having five partners namely Sumit Sancheti, Amit Sancheti, Meena Devi Sancheti, Jyoti Sancheti and Mona Sancheti. It was incorporated in the year 2017. However, commercial operations started in March, 2019. The Firm is having its office in Gulabbagh, Purnea district of Bihar. The name of the firm signifies the acronym of the designated partners Amit Sancheti and Sumit Sancheti.

The Firm has successfully completed its project installation of Parboiled Rice Mill with a capacity of 48000 MT per annum. The total project cost was of Rs.17.39 crores, funded through bank loan of ₹9.80 crores and partner's contribution of ₹7.59 crores.

KEY FINANCIAL INDICATORS (In ₹ Cr):

Parameters	31-Mar-2019
	(Audited)
Total Operating Income (Rs. Crores)	0.23
EBITDA (Rs. Crores)	(0.14)
PAT (Rs. Crores)	(1.14)

Tangible Net Worth (TNW) (Rs. Crores)	4.14
Total Debt : TNW (Times)	2.49
Current Ratio (Times)	0.81

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: NA

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY : NA

RATING HISTORY:

Sl. No.	Instrument/ Facility	Current Rating (December, 2019)			Rating History		
		Type	Amount (Rs. Crs)	Rating	June, 2019	Mar, 2018	2017
1.	Fund based	Long Term	19.45	BWR B+ Stable Upgraded	BWR B Stable Reaffirmed	BWR B Stable Assigned	Not Rated
Total			Rs.19.45 (Rupees Nineteen Crores and Forty Five Lakhs Only)				

Hyperlink/Reference to applicable Criteria

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

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Annexure I

AS Rice Mills LLP.

Details of Bank Facilities rated by BWR

Sl. No	Name of the Bank	Type of Facilities	Tenure	Total [₹ Cr]
1	Bank of Baroda	Term Loan	Fund Based- long term	9.45
2		Cash Credit		8.00
3		Loan Against Warehouse Receipt		2.00
TOTAL				19.45



For print and digital media

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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

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