



## Rating Rationale

### AS Rice Mills LLP (ASRML)

11 June 2019

**Brickwork Ratings reaffirms the rating for the bank loan facilities aggregating of Rs.13.80 Crs of AS Rice Mills LLP. (ASRML).**

#### Particulars:

| Facility Rated #   | Previous (Rs. Crs) | Present (Rs. Crs)  | Tenure      | Rating History Mar, 2018                   | Rating <sup>1</sup>                          |
|--------------------|--------------------|--|-------------|--|--|
| <b>Fund Based</b>  |                    |  |             |  |  |
| <b>Term Loan*</b>  | <b>9.80</b>        | <b>9.80</b>  | <b>Long</b> | <b>BWR B</b><br>(Pronounced BWR Single B ) | <b>BWR B</b><br>(Pronounced as BWR Single B) |
| <b>Cash Credit</b> | <b>4.00</b>        | <b>4.00</b>  | <b>Term</b> | <b>Outlook: Stable</b>                     | <b>Outlook: Stable</b><br><b>Reaffirmed</b>  |
| <b>Total</b>       | <b>13.80</b>       | <b>₹13.80 (Rupees Thirteen Crores and Eighty Lakhs Only)</b> |             |  |  |

<sup>1</sup> Please refer to BWR website [www.brickworkratings.com](http://www.brickworkratings.com) for definition of the ratings

\* Term loan Outstanding as on 29th May, 2019.

#### Rating: Reaffirmed

Brickwork Ratings reaffirmed the long term rating 'BWR B' with "Outlook: Stable" to the bank loan facilities aggregating of Rs.13.80 Crores of AS Rice Mills LLP ( **ASRML or Firm** ).

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

BWR has principally relied upon the audited financials of the firm upto FY18, projections upto FY22, publicly available information and information/clarifications provided by the firm.

The rating has inter alia, factored Promoter's extensive experience of over 3 decades in trading business, strong dealer 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, working capital intensive nature of business, intense competition in the food processing industry and susceptibility of raw material availability to agro-climatic conditions. Going forward, the ability of the firm to scale up its operations and to improve its profit margins & gearing in an intensely competitive industry will remain the key rating sensitivities.

#### Rating Outlook: Stable

BWR believes that the business risk profile of AS Rice Mills LLP. 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.

### **Analytical Approach :**

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)

### **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 . The have strong dealer network in Bihar.
- **Proximity to Raw Material Suppliers:** The Firm has established its operations in 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 Indian diet.
- **Locational Advantages:** The Firm is situated on NH 57 and has the advantage of good connectivity with roads 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 a provisional revenue of Rs.0.23 Crs in FY19 .
- **Intense competition:** Intense competition prevailing in rice-milling industry as characterised by the presence of a large number of players along with 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.

### **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 LLP signifies the acronym of the designated partners Amit Sancheti and Sumit Sancheti.

The Firm has successfully completed its project for installation of 8 TPH Parboiled Rice Mill at Purnea. 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.

#### **Firm's Financial Performance:**

As per Provisional financials, the Firm has registered total operating income of Rs.0.23 Cr in FY19 . Tangible net worth of the firm stood at Rs. 4.10 Cr as on March 31, 2019. The Firm has reported net loss of Rs.1.17 Crs in FY19 .

| Parameters                            | 31-Mar-2019   | 31-Mar-2020 |
|---------------------------------------|---------------|-------------|
|                                       | (Provisional) | (Projected) |
| Total Operating Income (Rs. Crores)   | 0.23          | 41.93       |
| EBITDA (Rs. Crores)                   | (0.12)        | 3.57        |
| PAT (Rs. Crores)                      | (1.17)        | 0.12        |
| Tangible Net Worth (TNW) (Rs. Crores) | 4.10          | 7.14        |
| Total Debt : TNW (Times)              | 2.51          | 1.93        |
| Current Ratio (Times)                 | 0.86          | 1.67        |

#### **Rating History for the last three years:**

| Sl. No. | Instrument/ Facility | Current Rating (June, 2019) |  |  | Rating History                            |
|---------|----------------------|-----------------------------|--|--|---|
|         |                      | Type                        | Amount (Rs. Crs)   | Rating                                   | 27 Mar 2018                               |
| 1.      | Term Loan            | Long Term                   | 9.80   | BWR B<br>(Outlook: Stable)<br>Reaffirmed | BWR B<br>(Outlook - Stable)<br>(Assigned) |
| 2.      | Cash Credit          |                             | 4.00   |  |   |
| Total   |                      |                             | ₹13.80 (Rupees Thirteen crore and Eighty Six Lakhs Only) |  |   |

#### **Hyperlink/Reference to applicable Criteria**

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



**For any other criteria obtain hyperlinks from website**

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**Note on complexity levels of the rated instrument:**

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**About Brickwork Ratings**

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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.

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