



## Rating Rationale

### A S Rice Mills LLP

27 March 2018

**Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹ 13.80 Crores of A S Rice Mills LLP.**

## Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
<b>Fund based - Term Loan (Sub Limit - Foreign Letter of Credit)</b>	<b>9.80 (1.70)</b>	<b>Long Term</b>	<b>BWR B (Outlook: Stable)</b>
<b>Fund Based - Cash Credit</b>	<b>4.00</b>	<b>Long Term</b>	
<b>Total</b>	<b>13.80</b>	<b>INR Thirteen crores and eighty lakhs only</b>	

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings  
Aforesaid facilities availed from Bank of Baroda

## Rating under Credit Watch with Positive / Negative / Developing implications

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

BWR has principally relied upon the projected financials of FY18 and FY19 of AS Rice Mills LLP (or ‘the Firm’), publicly available information and information/ clarifications provided by the management of the Firm.

The rating assigned to the bank loan facilities of the Firm has factored, inter alia, the strong dealer network of the Partners in Bihar, since they are already into Commodity Trading for the past 40 years. The rating assigned also takes into cognizance the advantage to be derived for marketing its products through the group entities that are in grocery business. Set up in Gulabgh, the Asia’s largest maize trading centre, the unit enjoys the locational advantage and good connectivity through NH57.

The rating is however constrained by the fact that the operations of the Firm have not yet started The rating is also constrained by the risk associated with agro product and weather condition and the competition to be faced by the Firm from other already established players in the market.

Going forward, operationalizing the business in the planned fashion, servicing the debt obligations in time would be the key rating sensitivities.



## Description of Key Rating Drivers

### Credit Strengths:

- Strong Dealer network of the Partners - The Partners are into Commodity Trading for the past 40 years having established dealer network.
- Marketing Benefit - The Firm would derive the benefit out of its group entities in marketing its produce by selling substantial portion to them.
- Locational advantage - Situated at NH 57, the site has advantage of good connectivity with roads, making transportation easy and economical. Moreover, Gulabghagh being the Asia's largest maize trading centre would be advantageous for the firm in marketing its produce in the mandis.

### Credit Risks:

- Operations not yet started - The operations of the firm are expected to start by 2019.
- Intense competition - The Firm is exposed to the competition risk from the established players in the market.
- Agro climatic risk - The business would face the risk associated with the weather condition and the seasonal nature of the crop produced. However, the Firm plans to make arrangement for storage of paddy in Silo and make arrangements for warehousing so as to continue the processing throughout the year.

## 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).

## Rating Outlook: Stable

BWR believes the **A S Rice Mills LLP** 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

AS Rice Mills LLP (or 'The Firm') is a Limited Liability Partnership having five partners (Sumit Sancheti, Amit Sancheti, Meena Devi Sancheti, Jyoti Sancheti and Mona Sancheti). It was incorporated in the year 2017, having its office located in Gulabghagh, Purnea. The name of the LLP signifies the acronym of the designated partners **Amit Sancheti** and **Sumit Sancheti**.

The present proposal of AS Rice Mills LLP is to set up a 8TPH Parboiled Rice Mill at Purnea. The Firm has obtained a Land measuring 2.1 acres registered in the name of the Partners. The construction of the Premises is ongoing and the activities of the Firm are expected to be operational by April 2019.

The total project cost is estimated at ₹17.39 crores, funded through bank loan of ₹10.37 crores and partner's contribution of ₹7.02 crores.

### Company Financial Performance

The activities of the Firm are yet to operationalize.

### Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2017)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	Date, Month, Year	Date, Month, Year	Date, Month, Year
1.	Fund based - Term Loan (Sub Limit - Foreign Letter of Credit)	Long Term	9.80 (1.70)	BWR B (Outlook: Stable)	NA	NA	NA
2.	Fund Based - Cash Credit		4.00		NA	NA	NA
	Total		13.80	₹ Thirteen crores and eighty lakhs only			

Status of non-cooperation with previous CRA (if applicable)-NA

### Hyperlink/Reference to applicable Criteria

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

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#### **For print and digital media**

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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 ₹ 10,00,000 Cr. In addition, BWR has rated over 6300 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹24,440 Cr have been rated.

#### **DISCLAIMER**

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented "as is" without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.