



Rating Rationale

Aarna Foods Pvt Ltd

20 Mar 2018

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 14.82 Crores of Aarna Foods Pvt Ltd.

Particulars

Facility	Amount (₹ Cr)	Tenure	Rating*
Fund based			BWR BB-
Term loan	9.92	Long Term	Pronounced as BWR Double B Minus
Cash Credit	4.90		Outlook Stable
Total	14.82	INR Fourteen Crores And Eighty Two 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 principally relied upon the audited financial results of the company upto FY17, and provisional financial statement upto December 2017 and information/clarifications provided by the Company's management.

The rating has factored the experience of the promoters in the rice manufacturing industry, potential of the company to increase its net sales due to the addition of a corn manufacturing facility, diversified customer base, moderate order book position, revenue visibility, moderate profit margins and satisfactory debt protection metrics. The rating is however, constrained by high gearing ratio due to low net worth, thin profit margin due to fragmented nature of the industry and agro climatic risk which could impact raw material availability.

Going forward, the ability of the company to improve its net worth, increase its orders, timely execute the order in hand with budgeted cost, reduce their debt levels, achieve the targeted revenue and managing its working capital cycle with timely realization of receivables will be the key rating sensitivities of the company.

Description of Key Rating Drivers

Credit Strengths:

- **Well Experienced Promoters:** Promoters have more than 20 years of experience in the rice manufacturing industry. Manish Kumar and Sony Saha are the promoters and managing directors of the company.



- **Moderate Scale Of Operations:** The company has been operating at a moderate scale. Their net sales for FY17 is Rs.20.79 Crs and Rs.15.98Crs upto December 2017. With the setup of corn facility it's scale of operations is projected to improve further.
- **Established Presence in few states:** Company has an established client base in few areas such as Bihar, Patna, Haripur, Mumbai with whom they have been associated for 10 years.

Credit Risks:

- **High Gearing Ratio:** High Gearing ratio of 3.19 times in FY17 and 3.6 times in FY16 due to low tangible net worth of 1.7 crores (FY17) and 1.48 (FY16)
- **Thin Profit Margins:** Thin profit margins of 1.06% in FY17 and 0.65% in FY16 .
- **Volatility in Price Of Raw Material:** Costs of raw materials consumed has been increasing and volatile in nature due to effect of agro climatic conditions
- **Average debt protection metric levels:** Low DSCR levels for FY17 at 1.08 times and 1.00 for FY17.

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 **Aarna Foods Pvt Ltd** 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

Aarna Foods is a private limited company located at Didarganj, Patna. Concern was established on 2010. The firm is engaged in manufacturing of rice (non basmati) with a production capacity of 3 tonnes per hour. The concern manufactures rice and sells it to traders. The company is in the process of setting up of dry corn milling facility at patna with a production capacity of 5 tonnes per hour

Company Financial Performance

The company has reported Total Operating Income of Rs.20.79Crs and PAT of Rs.0.22Crs in FY17. Tangible Net worth of the company stood at Rs.1.7Crs in FY17. The company has reported a total operating income of 15.98 as on December 2017.

Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2017)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2016	2015	2014
	Fund Based	Long term	9.92	BWR BB- Pronounced as Double B Minus (Outlook: Stable)	NIL	NIL	NIL
	Term Loan		4.90				
	Cash Credit						
	Total		14.82	₹ Fourteen Crores Eighty Two Lakhs Only			

Key Financial Indicators

Key Parameters	Units	2017	2016
Result Type		Audited	Audited
Operating Revenue	₹ Cr	20.79	21.63
EBITDA	₹ Cr	0.87	0.90
PAT	₹ Cr	0.22	0.14
Tangible Net worth	₹ Cr	1.70	1.48
Total Debt/Tangible Net worth	Times	3.19	3.60
Current Ratio	Times	1.22	1.18

Hyperlink/Reference to applicable Criteria

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

For any other criteria obtain hyperlinks from website

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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 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 ₹ 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

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