

Rating Rationale

Brickwork Ratings has revoked the suspension of its rating on the Bank Facilities of Aarya Organic Foods & Ayurvedic Industries Private Limited & has assigned 'BWR BB+' to the Bank Loan Facilities of the Company. The ratings were previously 'Suspended' by BWR vide Rating Rationale dated October 21, 2014.

Brickwork Ratings has revoked the suspension of its **Rating¹** on the bank facilities of Aarya Organic Foods & Ayurvedic Industries Pvt. Ltd and has assigned its 'BWR BB+' rating to the enhanced bank facilities of ₹ 13.74 Cr of the Company. The ratings were previously 'Suspended' by BWR vide Rating Rationale dated October 21, 2014. The Company has now shared the information, enabling BWR to assign ratings to its bank facilities *for* the enhanced Bank Loan Facilities of ₹ 13.74 Cr as follows:

Facility	Previous Limits (₹ Cr)	Existing Limits (₹ Cr)	Proposed Limits (₹ Cr)	Tenure	Rating History (June 2013)	Revised Rating (₹ Cr)
Fund Based Term Loans	2.66	3.74	3.74	Long Term	BWR BB (BWR Double B) Outlook-Stable	BWR BB+ (BWR Double B Plus) Outlook-Stable <i>Revised</i>
Fund Based Cash Credit	3.50	4.50	10.00			
Total	6.16		13.74	(INR Thirteen Crores Seventy Four Lakhs only)		

BWR has principally relied upon the audited results upto FY14 and information/clarifications provided by the Company's management.

The rating assigned to the bank facilities of Aarya Organic Foods & Ayurvedic Industries Private Limited factors primarily the qualified and experienced management team, the good milk procurement network through VLCs (Village Level Collection arrangement), and strong revenue growth, moderate profits & networth in FY14. However, the rating is constrained by the limited track record of operation, industry competition, low market share and moderate financial profile due to relatively smaller size of operations.

Background:

Aarya Organic Foods and Ayurvedic Industries Private Limited, was incorporated in Sep 2009 by the promoters Mr. Sushil Kumar Garg and Mr. Dheeraj Sachdeva. The Company, engaged in manufacturing of packaged milk and milk products under the brand name 'Aarya' at Haridwar, commenced operations from Apr 01, 2010. The Company sells 100% of their products to wholesale customers; the wholesale customers of the Company are mainly distributors, agencies, milk booths who are into trading of milk and milk products.

¹ Please refer to www.brickworkratings.com for definition of the Ratings

Business Details:

The Company's milk processing unit is located at Haridwar in the state of Uttaranchal and has an installed capacity of 50,000 liters per day. The Company owns 5 chilling centers with a capacity of 15,000 liters per day each.

The Company has about 355 Village Level Collectors, who procure milk from the farmers, and bring it to the chilling centers. Thereafter, the milk is transported to the processing center, where pasteurized milk and other products like curd, butter, ghee and paneer are produced, packed and distributed. There are 72 distributors, out of whom 40 are exclusively for ghee. The milk is sold through milk booths, including some Company owned booths.

Financial Performance:

The Company's revenue from operations has grown significantly from Rs. 35.56 Crores in FY13 to Rs. 70.07 Crores in FY14, on account of higher volumes processed. PAT has increased to Rs. 1.65 Crores in FY14 as against Rs. 0.82 Crores in FY13. Tangible networth has improved to Rs. 8.67 Crores in FY14 from Rs. 4.88 Crores in FY13 due to infusion of additional capital and retention of profits. On a provisional basis, the company reported net sales of Rs 48.00 Crores for H1FY15.

Rating Outlook:

The outlook is expected to be stable over the current year. Going forward, the ability of the Company to increase its operational efficiency and profitability, improve its market share to sustain in a competitive environment and judiciously plan any additional capex will be the key rating sensitivities.

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