

Rating Rationale

Brickwork Ratings reaffirms 'BWR B+' for the Bank Loan Facilities of Aggarwal Rice & General Mill (ARGM) enhanced from ₹ 13.70 Cr to ₹ 18.96 Cr.

Brickwork Ratings (BWR) has reaffirmed the following **Ratings**¹ for the Bank Loan Facilities of ₹ 18.96 Cr enhanced from ₹ 13.70 Cr of Aggarwal Rice & General Mill (ARGM or the 'firm') :

Facility	Present Limits (₹ Cr)	Previous Limits (₹ Cr)	Tenure	Ratings	Rating History
Fund Based:					
Cash Credit	18.00	12.30	Long Term	Reaffirmed at BWR B+ (Pronounced BWR Single B Plus) (Outlook : Stable)	BWR B+ (Pronounced BWR Single B plus) Outlook – Stable November 2013
Term Loan I	0.13	0.57			
Term Loan II	0.83	0.83			
Total	18.96	13.70	INR Eighteen Crores and Ninety Six Lakhs Only		

BWR has principally relied upon the audited financial results up to FY14 and publicly available information and information/clarifications provided by the firm.

The rating continues to draw comfort from the partners' experience in the rice milling industry, increasing scale of operations and the established clientele base. The rating, however, continues to be constrained by the small scale of operations, low net worth with high gearing levels, high dependency on working capital borrowings, intensely competitive and fragmented nature of the industry, exposure to agro climatic risks, susceptibility of the firm's performance to adverse regulatory changes and fluctuations in raw material prices.

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

Background

Aggarwal Rice & General Mills is a partnership firm established in 2000, at Sri Muktsar Sahib, Punjab. The firm is engaged in the milling, processing and trading of basmati and non-basmati rice with an installed capacity of 7 MT per day. The main product of the firm is rice, while rice bran and paddy husk are by-products. The firm supplies rice to rice traders and dealers in primarily in Northern India viz West Bengal, Delhi and Haryana. It is also exports the products to Iran and Dubai.

Management:

AGRM is jointly promoted by Mr.Vikrant Ahujha, Mr.Satishkumar, Mr.Praveen Kumar, Mr. Parmod Kumar, Mr.Manish Kumar, and Mr.Rahul Saluja. It is a family-run business. Mr.Vikrant Ahujha and Mr.Sathish Kumar are the managing partners of the firm and have more than 15 years of experience in this line of business.

Financial Performance

ARGM reported a profit after tax (PAT) of ₹ 0.11 Cr. on net sales of ₹ 45.24 Cr. for FY 14 as against profit after tax (PAT) of ₹ 0.14 Cr. on net sales of ₹ 23.78 Cr. for FY 13. Operating profit margin and Net profit margin have declined in FY14 as compared to FY13. Tangible net worth stood at ₹ 1.62 Cr. in FY14. Debt- Equity Ratio has improved 10.60 times in FY14 from 13.23 times in FY13. Current Ratio has marginally improved to 1.24 times in FY14 from 1.08 times in FY13.

Rating Outlook

The outlook is expected to be stable over the current year. Going ahead, the ability of ARGM to increase its scale of operations, manage raw material prices fluctuations, strengthen its capital structure, improve its financial risk profile and manage its working capital efficiently shall be the key rating sensitivities.

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