

Rating Rationale

Brickwork Ratings reaffirms rating for the Bank Loan Facilities aggregating ₹ 16.00 Cr of Aggarwal Rice and General Mills

Brickwork Ratings has reaffirmed following **Rating¹** for the Bank Loan Facilities of Aggarwal Rice and General Mills. (ARGM or the “Firm”):-

Facility	Previous Limits (In Cr)	Present Limits (In Cr)	Tenure	Previous Rating (February 2015)	Rating after Review
Fund Based					
Cash Credit	18.00	16.00	Long Term	BWR B+ (Pronounced as Single B plus) Outlook: Stable	Reaffirmed at BWR B+ (Pronounced as Single B plus) Outlook: Stable
Term Loan	0.95	0.00			
Total	18.95	16.00	INR Sixteen Crores Only		

BWR has essentially relied upon audited financial results of ARGM up to FY16 and projected financial data for FY17 & FY18, publicly available information and information provided by the management.

The rating has, inter alia, factored in the experienced partners and established clientele base. The rating is, however, constrained by modest scale of operations with low profitability margins in such a highly fragmented and competitive industry, weak debt protection metrics coupled with weak debt-servicing indicators, stretched liquidity position due to long conversion cycle, low accruals, exposure to agro-climatic conditions, susceptibility to adverse regulatory changes and fluctuations in raw material prices.

Background:

Aggarwal Rice and Gen. Mills is a partnership firm established in 2000 at Sri Muktsar Sahib, Punjab. The firm is engaged in milling, processing and trading of basmati and non-basmati rice, while rice bran and paddy husk are by-products. The firm supplies rice to rice traders and dealers primarily in North India viz West Bengal, Haryana and Delhi. It also exports the products to Iran and Dubai.

Ownership and Management:

The firm is controlled is jointly promoted by Mr. Vikrant Ahuja, Mr. Satish Kumar, Mr. Rahul Saluja, Mr. Praveen Kumar, Mr. Pramod Kumar and Mr. Manish Kumar. It is a family run business.

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

Mr. Vikrant Ahuja and Mr. Satish Kumar are managing partners of the firm and more than 17 years of experience in similar line of business.

Financial Performance:

As per the audited financials for FY16, ARGGM reported operating income of Rs. 33.35 Crs in FY16 with a PAT of Rs. 0.12 Crs. Firm has a weak debt protection metrics in FY16 marked by gearing of 9.51 times and weak debt servicing indicators – ISCR of 1.11 times and DSCR of 0.84 times. Operating profit margin and net profit margins have declined in FY16 to 7.31% and 0.36% respectively. Tangible net worth of the company stood at Rs. 1.95 Crs in FY16. The firm has achieved sales of Rs. 12.95 Crs as on 25th October, 2016.

Rating Outlook:

The rating outlook is expected to be stable over the current year. Going forward, the ability of partners to scale up operations while maintaining profitability, managing inventory turnover, improving financial profile, meeting projections and ensuring timely servicing of debt would be the key rating sensitivities.

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