

## Rating Rationale

10 Dec 2019

### Akshat Roller Flour Mills Pvt Ltd.

**Brickwork Ratings reaffirms long term rating for the Bank Loan facilities of Rs.40 Crs of Akshat Roller Flour Mills Pvt Ltd.**

#### Particulars:

Facilities Availed	Previous Amount (Rs. Crs)	Present Amount (Rs. Crs)	Tenure	Previous Rating#	Present Rating^
Fund Based	26.73	40.00	Long Term	BWR BB+ Stable	BWR BB+ (Stable) Reaffirmed
Total	26.73	40.00*	Rs.Forty Crore Only		

\* Includes Rs.8Crs of the proposed loan.

#The rating was moved to Rating Not Reviewed category on 5Aug19

^ Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for the definition of the ratings  
Please refer to Annexure I for bank facilities details.

#### **RATING ACTION / OUTLOOK**

The reaffirmation in the rating factors in Akshat Roller Flour Mills Pvt Ltd.'s (ARFMPL or 'the company') continued high gearing ratios and average debt protection metrics of the company. While there has been a marginal improvement in the operating profit margins of the company, the same continues to remain low. The rating further remains constrained by intense competition and exposure to agro-climatic risks and government policies.

The rating derives comfort from the promoter's extensive experience in the flour milling industry, synergies drawn from the group companies, increase total operating income and it's established market position in central and northern India.

The rating was moved to the Rating Not Reviewed category on the 5th August 2019, as the information was not received from the company at that time to enable BWR to carry out a rating review.

#### **Rating Outlook: Stable**

BWR believes that **Akshat Roller Flour Mills Pvt Ltd.**'s 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 of substantial improvement in operating parameters. BWR may revise its outlook from 'Stable' to 'Negative' in case there is a deterioration in the financial parameters over the medium term.

### **Key Rating Strengths**

- **Promoters Experience and Group Strength:** Promoters of the company have more than 2 decades of business experience in the wheat milling industry which has resulted in a sound understanding of the market dynamics, healthy customer relationships, and repeat orders. The company gains synergy from group support of Akshat Agro Milling Pvt Ltd. and Simran Foods Pvt Ltd, having a group turnover of more than Rs 400 Cr, combined net worth of more than Rs 40 Cr and are in the same line of business activities.
- **Improved Sales & Profitability:** Operating revenues of the company increased to the tune of 27.04% in FY19 vis-a-vis FY 18. Further, till Oct 2019 the company has registered a revenue of Rs.153.58Cr. Consequently, PAT improved from Rs0.71Cr in FY18 to Rs.1.10 Crs in FY19.

### **Key Rating Weaknesses**

- **High Gearing and moderate debt protection metrics:** The company had an overall gearing of 3.06x in FY19 owing to the low tangible net worth of Rs.12.92Cr. Further, the debt protection metrics of the company continue to remain at a moderate level with ISCR and DSCR of 1.84x and 1.49x in FY19 respectively.
- **Intense competition and low product differentiation limit pricing flexibility** - The flour-milling industry is highly competitive with the presence of a large number of organized and unorganized players. The company's profitability margins are vulnerable to raw material price trends on account of its inability to pass on increased raw material costs. However, the same is partially mitigated by the short conversion cycle and fast-moving nature of the product.
- **Profitability remains exposed to agro -climatic risks and Government policies-** The wheat milling industry is susceptible to agro-climatic risks, which may affect the availability of wheat in adverse weather conditions. Fluctuation in supply on account of government policies exposes the company to price-volatility risks.

### **ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA**

For arriving at its ratings, BWR has applied its rating methodology on a standalone basis as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

### **RATING SENSITIVITIES**

**Positive:** BWR may revise the rating upward, in case scale of operations achieves growth of at least 20% in FY20, with suitable improvement in tangible net worth, profitability margins and reduction in overall gearing to acceptable levels, with acceptable debt protection metrics and other metrics also favoring an upgrade.

**Negative:** BWR may revise the ratings downwards if the company's gearing deteriorates from the current levels, there is a decline in profitability margins and operating income estimated for FY20 is not achieved.

## LIQUIDITY: ADEQUATE

Current Ratio has improved to 1.33x in FY19 from 1.07x in FY18. The company is availing more than 90% of its facilities as WCDL for which the company has sufficient EBITDA to service interest costs. EBITDA improved from Rs.5.32Cr in FY18 to Rs.6.37Cr in FY19, against the interest obligations of Rs.4.02Cr in FY19. Further, cash and cash accruals stood at Rs.2.88Cr with no long term repayment obligations in FY20.

## ABOUT THE COMPANY

Akshat Roller Flour Mills Pvt Ltd., incorporated in September 2002, is engaged in the production and sale of various agro-food products including maida (refined flour), atta (wheat flour), suji and choker (wheat bran). ARFMPL has its manufacturing facilities located at Chandauli, Uttar Pradesh with a total installed capacity of 150,000 TPA. The key raw material, wheat, is procured from local suppliers in mandis ( grain markets), farmers & FCI, etc. The company sells its products under the brand name of 'Healthy Season'.

## Company's Financial Performance

Key Financials			
Result Type	Units	31/Mar/2018	31/Mar/2019
		Audited	Audited
Total Operating Income	Rs.in Crs	195.92	248.88
OPBDIT	Rs.in Crs	5.32	7.39
PAT	Rs.in Crs	0.71	1.10
Tangible Net Worth	Rs.in Crs	11.82	12.92
TOL/TNW	Times	3.16	3.06
Current Ratio	Times	1.07	1.33

**NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY - NIL.**

## RATING HISTORY

Facility	Rating Assigned (2019)			Rating History			
	Tenure	Amount (Rs. Crs)	Rating	5 Aug 2019	3 Aug 2018	2017	2016
WCDL	Long Term	40.00*	BWR BB+ (Stable)	Rating Not Reviewed Advisory	BWR BB+ (Stable)	NA	NA
<b>Total</b>		<b>40.00</b>	<b>Rs.Forty Crores Only</b>				

\* Includes Rs.8Cr of the proposed loan.

**Any other information: Not Applicable**

**Hyperlink/Reference to Applicable Criteria**

1. [General Criteria](#)    2. [Approach to Financial Ratios](#)    3. [Manufacturing Companies](#)

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**Akshat Roller Flour Mills Pvt Ltd**

**ANNEXURE I**

**Details of Bank Facilities rated by BWR**

Sl. No.	Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
1	Union Bank of India	WCDL	40.00	-	40.00
<b>TOTAL</b>					<b>40.00*</b>

*\* Includes Rs.8Cr of the proposed loan.*

**Total :Rs.Forty Crores Only**

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