

Rating Rationale

Akshat Roller Flour Mills Pvt Ltd (ARFMPL)

3 Aug 2018

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹ 26.73 Crores of Akshat Roller Flour Mills Pvt Ltd (‘ARFMPL’ or ‘The Company’).

Particulars

Facilities Availed	Amount to be Rated (Cr)	Tenure	Rating Assigned [^]
Fund Based			
WC DL	24.00	Long term	BWR BB+ (Pronounced as BWR Double B Plus) Outlook: Stable
Term Loan	2.73		
Total Amount to be Rated	26.73	INR.Twenty Six Crores and Seventy Three Lakhs Only	

[^] Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR principally relied upon audited financials upto FY17, FY18 provisionals, projections upto FY20, publicly available information and information/clarification provided by the management.

While assigning the rating of *Akshat Roller Flour Mills Pvt Ltd (‘ARFMPL’ or ‘The Company’)*, BWR has factored in the company’s promoters experience, favourable demand prospects of the industry, established market position improved profit margins, besides derives strength from group companies. The ratings are, however, constrained by high gearing and moderate debt protection metrics, intense competition and low product differentiation and agro -climatic risks .

Description of Key Rating Drivers

Credit Strengths :

- **Promoters Experience and Group Strength:** Promoters of the company have more than 2 decades of business experience in the wheat processing industry which has



resulted in sound understanding of the market dynamics, healthy customer relationships, and repeat orders. The Company gains synergy from group support of Akshat Roller Flour Mills Pvt Ltd. and Simran Foods Pvt Ltd, having group turnover of more than Rs 400 Cr, combined net worth of more than Rs 40 Cr and have same line of business activities.

- **Favourable demand prospects of the industry** -The demand prospects of the industry are expected to remain stable as wheat flour forms an important part of the staple Indian diet.
- **Established market position in MP (Madhya Pradesh) and Northern India**-ARFMPL is an established flour milling player in the state of Madhya Pradesh. The Company benefits on account of its established market position and widespread dealer network, which caters primarily to the retail markets in the states of Rajasthan, Punjab, Haryana, Uttar Pradesh, Bihar, West Bengal, MP and Chattisgarh. The company sells its branded products under the registered brand name 'Healthy Season'.

Credit Concerns :

- **High Gearing and moderate debt protection metrics** : The company had overall gearing of the company marked by TOL/TNW ratio of 2.15x in FY 17 and 3.06x in FY 18 (Unaudited). Further, the debt protection metrics of the company stood at moderate level with ISCR and DSCR of 1.75x and 1.52x as on 31 March 2017 respectively.
- **Intense competition and low product differentiation limits pricing flexibility**
The flour-milling industry is intensely competitive with the presence of a large number of organised and unorganised players. The company's margins are vulnerable to raw material price trends on account of its inability to pass on the increased raw material cost. 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 flour - milling industry is susceptible to agro-climatic risks, which can 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

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 *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 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

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. 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 Supplier or Mandi , Framers & FCI etc.

The company sells its products under the brand name of 'Healthy Season'.

Company Financial Performance

Key Parameters	Units	2016	2017
Result Type		Audited	Audited
Operating Revenue	₹ Cr	148.58	149.03
EBITDA	₹ Cr	4.30	3.94
PAT	₹ Cr	0.63	0.66
Tangible Net worth	₹ Cr	10.47	11.13
TOL/TNW	Times	2.12	2.15
Current Ratio	Times	1.14	1.02

Rating History for the last three years

Instrument /Facility	Current Rating (2018)			Rating History		
	Amount (₹ Crs)	Tenure	Rating	2017	2016	2015
WCDL	24.00	Long Term	BWR BB+ (Pronounced as BWR Double B Plus) (Outlook: Stable)	NA	NA	NA
Term Loan	2.73					
Total Amount to be Rated	26.73	INR.Twenty Six Crores and Seventy Three Lakhs Only				

Status of non-cooperation with previous CRA (if applicable)- CARE’s rating has moved the rating of *ARFMPL*’s bank facilities to CARE BB+; Stable; ISSUER NOT COOPERATING* as on May 24, 2018.

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)

For any other criteria obtain hyperlinks from website

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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, 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 leading public sector 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, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 11,99,663 Cr. In addition, BWR has rated over 6819 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹48,803 Cr have been rated.

DISCLAIMER

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