Rating Rationale

Brickwork Ratings assigns 'BWR BB-' Rating for Bank Loan facilities aggregating ₹ 32.40 Cr of Amritsar Rice Land

Brickwork Ratings has assigned following **Rating**[1] for Bank Loan facilities of Amritsar Rice Land (the 'Firm').

Facilities	Sanctioned Limits (₹ Cr)	Tenure	Rating
Cash Credit (Fund Based)	**27.00**	**Long Term**	**BWR BB- (Pronounced BWR Double B Minus) (Outlook Stable)**
Term Loan (Fund Based)	**5.40**		
Total	**32.40**	**INR Thirty Two Crores and Forty Lakhs Only**	

Note: Amritsar Rice Land has provided provisional FY 16 which is not authenticated.

BWR has essentially relied upon the audited financial results of Amritsar Rice Land up to FY15, Provisionals for FY16 projections for FY17 & FY18 and information/clarifications provided by the firm.

The rating has factored, inter alia, experienced partners, locational advantage and moderate financials characterized by increase in net profit margin and increase in partners capital.

However, the rating is constrained by competition from organized and unorganized players in the industry, family owned business, high leverage and the cyclicality inherent in the rice milling industry.

Background:

Amritsar Rice Land a partnership firm established in 2013. The firm is located at Rani KaBagh, Amritsar and the factory at village Sansara, Tehsil Ajnala, District Amritsar. The firm is running a fully automatic rice mill (PARA Boiled, Steam and Raw Rice) with installed capacity of 9MT paddy shelling per hour. The firm started commercial production from October 2013. ARL markets its products in the domestic and international market under its own brand "Wagah" through a network of distributors covering 5-6 states.

The rice is sold in packs of 1, 2, 5, 10 and 25kgs. The firm has covered storage of 20,000 MT for Paddy/rice.

Financial Performance:

Revenue from operation increased Rs 92.37 Crs in FY15 to Rs 103.52 Crs in FY16. Firm has reported profitability with operating profit margin of 6.89 per cent and net profit margin of 0.24 per cent for FY16. The firm has debt equity of 3.80 times in FY16. The tangible net-worth stood at Rs 10.07 crores for FY16.

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

Rating Outlook:

The outlook of the firm for the next one year is expected to be stable. The rating reflects the position of the firm in the manufacturing segment of the industry it caters to. Going forward, ability of the firm to achieve projected turnover, improve profitability margins and ability to improve the capital structure by infusing the fund will be the key rating sensitivities.

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