

Rating Rationale

Amruth Industries

13th Oct, 2017

Brickwork Ratings reaffirms the ratings assigned to the enhanced Bank Loan Facilities of Rs. 5.39 Cr of M/s Amruth Industries (The Firm) or (Amruth).

Particulars

Facility Rated	Previous Limits in ₹ Crores (Sept 2016)	Present Limits in ₹ Crores (Oct 2017)	Tenure	Previous Ratings September 2016	Review Ratings * October 2017
Fund Based					
OCC/ ODBD	5.00	5.00	Long Term	BWR B (BWR Single B) Outlook: Stable	BWR B (BWR Single B) Outlook: Stable Reaffirmed
Term Loan	0.56	0.32			
Term Loan	0.14	-			
Non Fund Based					
Bank Guarantee	0.07	0.07	Short Term	BWR A4 (BWR A Four)	BWR A4 (BWR A Four) Reaffirmed
Total	5.77	5.39	₹ 5.39 (Rupees Five Crores and Thirty Nine Lakhs Only)		

* Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rating Reaffirmed:

Brickwork Ratings reaffirms its rating assigned to the long term bank facility of M/s. Amruth Industries (Amruth) at 'BWR B/Stable', and short-term bank facility at 'BWR A4'.

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon audited financial up to FY16, Provisional Financial of FY17, and information provided by the Company's management.

The rating continues to derive comfort from the long established track record of the firm with the backing from promoters and location advantage. The rating continues to be constrained by small scale of operations, weak financial profile characterized by high gearing ratio, weak profit margins



and low net worth. Further, the firm is associated with agro-climatic risks with intense competition in a highly fragmented industry and inherent risk of being a partnership firm

Going forward, the ability of the firm to increase its scale of operations, improve its profitability margins and manage its working capital requirements effectively shall be key rating sensitivities.

Description of Key Rating Drivers

Key Rating Strengths

- **Extensive experience of promoters:** Promoter and management of the firm are well established and have diversified business interest as they are also promoters of M/s Nanjappa Trust, which provides services in the healthcare and educational industry.
- **Established track record of the company:** The company has long standing relationships with the customers and has been around for more than two decades.
- **Locational advantage:** The concern's key raw material is non basmati parboiled paddy which are largely sown in the state of Karnataka.

Key Rating Weaknesses

- **Small Scale of operations:** The scale of operations of the concern remained stagnant with total operating revenue of ₹ 19.00 Crs due to low demand. On provisional basis for FY17, the concern has reported a total operating income of ₹ 17.77 Crs.
- **Weak financial parameters:** The rice industry is less additive in nature with relatively low margins. The concern's gearing has been at high at 6.28x for FY16 which is mainly on account of high working capital borrowings and low to negligible net worth.
- **Agro-Climatic risk with intense competition in a highly fragmented industry:** The availability of the raw materials and fluctuation in the prices of these raw materials, which are impacted by agro climatic conditions are the key determinants of profitability. The concern also faces stiff competition from established players as well as a large number of players in the unorganized sector, which limits its pricing flexibility and bargaining power with customers thereby putting pressure on its revenues and margins
- **Constitutional risk:** The firm is exposed to constitutional risk like withdrawal of capital, dissolution of firm etc arising from partnership nature of the firm.

Rating Outlook: Stable

BWR believes that the business risk profile of M/s Amruth Industries 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

M/s. Amruth Industries is a family owned partnership firm established in 1992 by Mr. D. G. Benakappa in Shivamogga, Karnataka. The firm is into processing and trading of Par-boiled Non-basmati rice. It procures 95% of its paddy from farmers while the rest is sourced from agents or dealers in South India. Finished products are sold directly or through commissioned agents to domestic customers who are mainly located in Southern Karnataka and Kerala. The firm sells its rice under the brand name “Amruth”, which has been in existence since the inception of the firm.

Firm Financial Performance

The Firm has reported total operating income of Rs. 19.00 Cr with PAT of Rs. 0.22 Cr in FY 16 as against net operating income of Rs. 19.48 Cr and loss of Rs. 0.22 Cr in FY15. Tangible Net Worth of the firm stood at Rs. 0.92 Cr as on March 31, 2016 as against Rs. 0.73 Cr as on March 31, 2015.

Rating History for the last three years: (including withdrawn/suspended ratings)

S. No.	Instrument /Facility	Rating History						
		Tenure	Previous Rated Amount (₹ Cr)	Present Rated Amount (₹ Cr)	Rating (Oct 2017)	Sept 2016	2015	2014
1	OCC/ ODBD	Long Term	5.00	5.00	BWR B (Outlook: Stable) Reaffirmed	BWR B (Outlook : Stable)	Nil	Nil
2	Term Loan		0.56	0.32				
3	Term Loan		0.14	-				
4	Bank Guarantee	Short Term	0.07	0.07	BWR A4 Reaffirmed	BWR A4	Nil	Nil
Total			5.77	5.39	₹ 5.39 (Rupees Five Crores and Thirty Nine Lakhs Only)			

Key Financial Indicators

Key Parameters	FY15 (Audited)	FY16 (Audited)
Net Revenue (₹ in Cr)	19.48	19.00
Earnings before interest, tax and depreciation (₹ in Cr)	0.86	1.03
Profit/(Loss) after Tax (₹ in Cr)	(0.23)	0.22
Tangible Net Worth (₹ in Cr)	0.73	0.92
Debt to Equity ratio (times)	8.41	6.28
Current Ratio (times)	0.90	0.91



Hyperlink/Reference to Applicable Criteria

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

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For print and digital media

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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, has also been 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 Nationalized 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, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

DISCLAIMER

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