

Rating Rationale

Brickwork Ratings assigns 'BWR B/A4' for the Bank Loan Facilities aggregating ₹ 5.77 Cr of Amruth Industries (The Firm).

Brickwork Ratings (BWR) assigns the following **Ratings**¹ for the Bank Loan facilities of ₹5.77 Cr availed by Amruth Industries from Canara Bank.

Facilities	Limits (₹ Cr)	Tenure	Rating
Fund Based			BWR B (Pronounced BWR Single B) (Outlook: Stable)
Overdraft	5.00	Long Term	
Term Loan	0.56		
Term Loan	0.14		
Non Fund Based			BWR A4 (Pronounced BWR A Four)
Bank Guarantee	0.07	Short Term	
Total	5.77	INR Five Crores Seventy Seven Lakhs Only	

BWR has essentially relied upon the audited financials up to FY15, publicly available information and information/clarifications provided by the management of the firm.

The rating has, inter alia, factored promoters' extensive experience for more than two decades in the rice industry and firm's long standing relationship with customers. However the rating is constrained by its modest scale of operations with stagnant sales, thin profit margins, relatively low tangible net worth and high gearing. Rice milling industry has inherent risks of volatility in prices, seasonal procurement needs of paddy which results in high working capital requirement and interest costs and intense competition from organized as well as unorganized players.

Background:

Amruth Industries is a family owned partnership firm established in 1992 by Mr. D.G Benakappa in Shimoga, 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. Its processing unit is ~3 acres in area and has an installed capacity of ~4 tonnes per hour. The firm sells its rice under the brand name Amruth, which has been in existence since the inception of the firm.

Management:

The firm consists of four partners who are all family members. It is operated by three brothers D.B Avinash, D.B Amruth and D.B Chetan under the mentorship of their father and managing partner, D.G Benakappa. The promoters have diversified business interests and have several years of business experience between them.

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

Financial Performance:

The firm posted revenue of Rs. 19.48 Crs in FY 15 as against Rs. 20.83 Crs in FY 14, showing a marginal decrease of ~6.5%. The firm reported net loss of 0.23 Crs for FY 15 as against a net profit of 0.06 Crs in FY14. Net worth of the firm stood at Rs. 0.73 Crs and total debt stood at Rs. 6.13 Crs resulting in a gearing of 8.41x.

Rating Outlook:

The Rating outlook is expected to be stable in the near term. Going forward, ability of the firm to scale up its operations, to improve its profitability margins and to infuse more capital are the key rating sensitivities for the firm.

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