

Rating Rationale (Annual Review)

Brickwork Ratings revises ratings to 'BWR BBB-' & reaffirms 'BWR A3' for the Bank Loan Facilities aggregating ₹ 30 Cr of Ankur Roller Flour Mills Pvt. Ltd

On an annual review, Brickwork Ratings (BWR) has *revised/reaffirmed* the following **Ratings¹** for Bank Loan Facilities of Ankur Roller Flour Mills Private Limited (*ARFMPL or 'the Company'*)

Facility	Limits (₹ Cr)		Tenure	Rating	Rating History
	Previous	Present			
Fund Based	12.00	14.00	Long Term	BWR BBB- (Pronounced BWR Triple B Minus) Outlook: Stable (Revised)	BWR BBB- (SO) [Pronounced BWR Triple B Minus (Structured Obligation)] Outlook: Stable (June 2013)
Non-Fund Based	12.00	16.00	Short Term	BWR A3 (Pronounced BWR A Three) (Reaffirmed)	BWR A3 (Pronounced BWR A Three) (June 2013)
Total	24.00	30.00	INR Thirty Crores only		

Details of the bank facilities is as per Annexure-I

BWR has principally relied upon the audited financial result of the Company up to FY13, provisional financials for FY14, projected financials for FY15, publicly available information and information/clarifications provided by the company's management and feedback received from the Bank.

The rating has factored, inter alia, the extensive experience of the promoters in the pulses industry, strength it derives from the group company due to its long existence in the same line of business, growth in revenue, established supply chain and customer channels, moderate gearing level and infusion of additional equity into the business by the promoters. The rating is, however, constrained by the low profit margins, competition from players in the unorganized sector, working capital intensive nature of the business and exposure to foreign exchange risk.

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

Background:

Ankur Roller Flour Mills is a privately held company incorporated in 2004 having its corporate office at New Delhi. The company is in the business of Pulses Processing and its operations started in FY12. The promoters are Mr. Vipul Mittal and Mr. Kapil Mittal, who are also part of the management team in Hitech Grain Processing Private Limited, a company engaged in similar line of activity, but much larger. ARFMPL's manufacturing plant is located at HSIIDC, Haryana, and it processes and manufactures all varieties of pulses mainly dals including Chana Dal, Chana: Kabuli Chana & Kala Chana, Rajma, Tur Dal etc. Other than pulses there are by-products and secondary pulses also.

Management Details:

Mr. Vipul Mittal, Mr. Kapil Mittal and their family holds 100% shares of ARFMPL. Mr. Vipul Mittal is the Managing Director & Chief Executive Officer and Mr. Kapil Mittal is the Director & Chief Operating Officer of the Company. There are adequate numbers of technical and administrative staff, skilled and unskilled workers available at operational level.

Business Highlights:

ARFMPL is having its production facility at 573, Food Park, HSIIDC Industrial Estate, Haryana for processing of different pulses like dals, channa, rajmas, etc. It is selling the products in the brand name of Ankur. It is also doing job work for other customers. The raw materials are procured from mandis through Aarthis and also imported from countries like Tanzania, Austria, China, Indonesia, Brazil, South Africa, Canada, UAE etc. through its overseas suppliers. For FY14, its 99% of sales came from the wholesale business and the remaining through sales to big retailers. The Company has good relationship with several stockists in India through which it markets their products to states like Punjab, UP, Delhi-NCR, J&K, Bihar, Maharashtra, Madhya Pradesh, etc.

Financial Performance:

As per the audited financial statements for FY13, the Company reported a Total Operating Income of ₹ 117.87 Cr with a Net profit of ₹ 0.94 Cr against a Total Operating Income of ₹ 71.83 Cr with a Net profit of ₹ 0.42 Cr for FY12. Total Operating Income has increased by 64.09% in FY13. The Net Profit Margin improved from 0.58% in FY12 to 0.80% in FY13. Tangible Net worth of the Company increased from ₹ 8.06 Cr in FY12 to ₹ 9.45 Crores in FY13 due to infusion of additional capital of ₹ 0.15 Cr in FY13 and retention of profits. Debt-to-Equity is 1.63 times and Current Ratio at 1.38 times in FY13. In FY13, the unsecured loans from promoters amounted ₹ 4.08 Cr which as per the Company was converted to equity in FY14.

As per provisional results up to 31st March 2014, the company has reported Total Operating Income of ₹ 147.02 Cr with a Net Profit of ₹ 1.28 Cr.

Rating Outlook:

The Company is expected to continue to show improving performance over the next one year. The rating is however, sensitive to the audited results of the Company for FY14 being in line with the provisional results shared with us. The Company's ability to effectively manage input costs, mitigate forex fluctuation risks with appropriate covers, improve margins and manage its working capital efficiently would be crucial to its performance and are also the key rating sensitivities.

Analyst Contact	Relationship Contact
analyst@brickworkratings.com	bd@brickworkratings.com
Phone	Media Contact
1-860-425-2742	media@brickworkratings.com

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Ankur Roller Flour Mills Private Limited

Annexure I: Details of the bank facilities rated

Nature of Facilities	Bank: State Bank of Bikaner and Jaipur	(₹ Cr)		
		Sanctioned Limits	Outstanding (as on date)	Amount Rated
Fund Based Limits				
Cash Credit		14.00	11.15	14.00
Non-fund Based Limits				
Letter of Credit		16.00	13.00	16.00
Total	₹ 30.00 Cr	INR Thirty Crores Only		