

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 19.50 Crores of Annapurna Udyog.

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based Cash Credit	19.50	Long Term	BWR BB (Pronounced as BWR Double B) Outlook: Stable
Total	19.50	INR Nineteen Crores Fifty Lakhs Only	

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

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financial results of the Firm upto FY18 and select data for FY19, publicly available information and information/clarifications provided by the management.

The rating draws strength from the extensive experience of management, moderate scale of operations and favourable demand outlook of pulses. The rating, however, is constrained by stretched conversion cycle, highly competitive nature of industry and effect of climatic conditions on the raw material.

Description of Key Rating Drivers

Credit Strengths:

Extensive experience of management: The partners of the firm Mr. Mithlesh Gupta and Mr. Sant Kumar Gupta are well qualified and hold decades of experience in the industry. Their experience and knowledge has helped them in maintaining long term relationship with their clients and suppliers.

Favourable demand outlook as pulses are an important part of the staple Indian diet: The firm is into processing and trading of pulses- Arhar Dal, Chana Dal, Masoor Dal etc. Going forward, the firm has option to process various other varieties of pulses by fully utilizing the installed capacity of their plant. Pulses as an agricultural produce, have a stable demand outlook, which is likely to sustain, as it forms an important part of the staple Indian diet.

Moderate scale of operations: Although the total operating income has reduced from Rs. 174.55 Cr. in FY17 to Rs. 128.42 Cr. in FY18 due to reduction in pulses prices. However, the scale of operations of the firm is still considered moderate. Till 31-Jan-2019, the firm has achieved a sales of Rs. 137.06 Cr. and they are targeting a sales of Rs. 150 Cr. by the end of FY19.

Credit Risks:

Stretched conversion cycle: The conversion cycle of the firm has increased from 51 days in FY17 to 77 days in FY18 due to increase in inventory holding days. The inventory holding days have increased from 53 days in FY17 to 68 days in FY18, significant amount of funds are invested in inventory i.e. Rs. 31.48 Cr. in order to avoid a rise in the price of raw material due to seasonal nature of the crops. Also, the firm purchases the raw material at low prices whenever they get the opportunity and maintain a stock. However any adverse movement of prices, will affect the profitability.

Highly competitive nature of industry on account of low entry barriers and limited value addition, which are likely to impact the profit margins - Apart from a few large established players, the pulse milling industry is marked by various small and medium size players, given the stable nature of demand for pulses and low entry barriers. Further, the low value-added nature of work and intense competition exert pressure on the profitability and also limit the pricing flexibility of the players in the industry.

Pulse-milling business remains exposed to raw material availability, its quality and pricing; which in turn depend on monsoon conditions and government policies.

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 **Annapurna Udyog** 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

Annapurna Udyog was incorporated as a partnership firm by Mr. Mithlesh Gupta and his brother Mr. Sant Kumar Gupta in the year 1994. The firm is into processing and trading of pulses- Arhar Dal, Chana Dal, Masoor Dal etc. Their manufacturing unit is located at Panki, Kanpur with a total capacity of 1500 quintal per day. Currently, the firm is able to utilise 80-90% of the total installed capacity.

Company's Financial Performance

The total operating income has reduced from Rs. 174.55 Cr. in FY17 to Rs. 128.42 Cr. in FY18 due to reduction in pulses prices. Till 31-Jan-2019, the firm has achieved a sales of Rs. 137.06 Cr. and they are targeting a sales of Rs. 150 Cr. by the end of FY19. Subsequently, the EBITDA and PAT has also reduced

from Rs. 5.67 Cr. in FY17 to Rs. 3.24 Cr. in FY18 and from Rs. 4.01 Cr. in FY17 to Rs. 1.05 Cr. in FY18. The company has moderate tangible net worth of Rs. 10.06 Cr. in FY18. The debt protection metrics is also moderate with an ISCR of 1.37 times in FY18.

Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		Audited	Audited
Operating Revenue	₹ Cr	128.42	174.55
EBITDA	₹ Cr	3.24	5.67
PAT	₹ Cr	1.05	4.01
Tangible Net worth	₹ Cr	10.06	10.83
Total Debt/Tangible Net worth	Times	2.52	1.66
Current Ratio	Times	1.55	1.94

Rating History for the last three years

S.No	Instrument /Facility	Current Rating (Mar 2019)			Rating History		
		Type	Amount (₹ Crs)	Rating	2018	2017	2016
1	Fund Based	Long Term	19.50	BWR BB (Pronounced as BWR Double B) Outlook: Stable	N/A		
	Total		19.50	₹ Nineteen Crores and fifty lakhs Only			

Hyperlink/Reference to applicable Criteria

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



- [Short Term Debt](#)

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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 ₹ 10,00,000 Cr. In addition, BWR has rated over 6300 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹24,440 Cr have been rated.

DISCLAIMER

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