

Aroma Agrotech Pvt. Ltd.

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹. 138.77 Crores of Aroma Agrotech Pvt. Ltd..

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Dec 2018)	Present
Fund Based					
Term Loan	11.11	8.77	Long Term	BWR BBB+ Stable	BWR BBB+ Stable (Reaffirmed)
Cash Credit	10.00	10.00			
Packing Credit/ Bill Discounting/ Bill Purchase	120.00	120.00	Short Term	BWR A2	BWR A2 (Reaffirmed)
Total	141.11	138.77	INR One Hundred Thirty Eight Crores and Seventy Seven Lakhs Only		

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

** Details of Bank facilities is provided in Annexure-I

RATING ACTION / OUTLOOK

Brickwork Ratings has reaffirmed the long-term rating of BWR BBB+/Stable and short-term rating of BWR A2.

The rating reaffirmation has factored, inter alia, the existence of the company for 10 years with year on year improvement in revenue for the last three years, experience of directors in rice industry and adequate debt protection metrics in FY19. The rating, however, is constrained by modest scale of operations, comparatively high gearing and intense competition from other established players in the industry.

The rating has been assigned a stable outlook considering the enhanced revenue scale of the company. Moderate profit margins and its resultant effect on its improved capital structure and coverage metrics is expected to be maintained in the medium term

KEY RATING DRIVERS

BWR has essentially relied upon the audited financial results up to FY19 of Aroma Agrotech Pvt. Ltd., publicly available information and information/clarifications provided by the Company's management.

Credit Strengths :

- **Experienced and Qualified Management :**
The company is run by family members, all the directors of the company being brothers and having a decade of experience in rice milling, processing and exporting line of business.
- **Long Existence of the Company :**
The Company is in existence for 10 years with satisfactory business history.
- **Locational advantage and established relationship with suppliers :**
The Rice Mill unit is located at Gharaunda, in Karnal district of Haryana with paddy processing capacity of 24 MT Per Hour. The location helps to access paddy and also to maintain a well established relations with paddy traders and farmers for procurement needs. They also have a healthy relations with their customers for a decade leading to repeat orders which gets reflected in revenue growth.
- **Moderate financial risk profile:** Moderate financial risk profile. The company has debt protection metrics with ISCR of 2.19 times and DSCR of 1.82 times in FY18.

Credit Weaknesses :

- **Relatively High Gearing:**
The company has relatively high gearing with total debt to tangible net worth of 3.07 times as on 31 March 2019.
- **Modest Scale of operations and decrease in profit margins :** The operating income has increased from Rs. 539.35 Crs in FY18 to Rs. 632.95 Crs in FY19. However profitability margins have reduced. Operating Profit Margin and Net Profit Margin stood at 5.43% and 1.86% respectively in FY19 as against 6.44% and 2.00% in FY 17.



- **Inherent Industry Risk:** Inherent industry risk such as regulatory risk, unfavourable market conditions owing to bleak monsoons and exposure to price fluctuation of paddy.
- **Intense Competitive Industry:** Being present in an industry with presence of number of large and established players, the company is exposed to intense competition, which may limit its pricing flexibility and bargaining power with customers.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has considered the standalone performance of Aroma Agrotech Pvt. Ltd. and has applied its rating methodology as detailed in the Rating Criteria (hyperlinks provided at the end of this rationale)

RATING SENSITIVITIES

Going forward, the ability of the company to scale up its operations and to improve its profit margins while managing its gearing would be the key rating sensitivities.

Positive: The rating may be positively revised if there is further growth in revenue and profit margins while maintaining a healthy overall financial profile.

Negative: The rating may be adversely affected if there is deterioration in capital structure and profitability margins of the company.

LIQUIDITY POSITION

The Company's liquidity position is adequate. The debt profile of the company majorly consists of working capital facilities. The cash and cash equivalents of the company were Rs. 2.87 Crores as on 31 March 2019.

COMPANY PROFILE

Aroma Agrotech Private Limited was incorporated in 2009 with registered office in Karnal, Haryana. The company has four Directors namely Mr. Anil Kumar Garg, Mr. Parveen Garg, Mr. Sushil Kumar Garg and Mr. Vinod Kumar Garg, all brothers. The company is engaged in milling, processing, packaging and selling of basmati rice. The company sells rice with the Brand name "Aroma". The company has its milling unit at Gharaunda, in Karnal district of Haryana with paddy processing capacity of 24 MT Per Hour. The company procures paddy directly from farmers, from local traders as well as from nearby grain markets. The company is export oriented company. Nearly 90% of revenue of the company is generated through exporting rice to majorly Middle East countries like Saudi Arabia, United Arab Emirates, etc.

KEY FINANCIAL INDICATORS

Key Parameters	Units	FY18	FY19
Result Type		(Audited)	(Audited)
Total Operating Income	Rs. Crores	539.41	633.06
EBITDA	Rs. Crores	34.75	34.39
PAT	Rs. Crores	10.76	11.79
Tangible Net Worth (TNW)	Rs. Crores	55.43	67.23
Total Debt : TNW	Times	3.44	3.07
Current Ratio	Times	1.18	1.20

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED : NA

NON-COOPERATION WITH PREVIOUS RATING AGENCY, IF ANY : Nil

RATING HISTORY

Sl. No.	Facility	Current Rating			Rating History		
		Type	Amount (Rs. Crs)	Rating	16 Dec 2019	14 Dec 2018	21 Dec 2017
1	Fund Based	Long Term	18.77	BWR BBB+ Stable (Reaffirmed)	Rating Not Reviewed	BWR BBB+ Stable (Upgraded)	BWR BBB Stable (Assigned)
2		Short Term	120	BWR A2 (Reaffirmed)		BWR A2 (Upgraded)	BWR A3 (Assigned)
Total			138.77	INR One Hundred Thirty Eight Crores and Seventy Seven Lakhs Only			

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

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

- [Short Term Debt](#)

For any other criteria obtain [hyperlinks](#) from website

Analytical Contacts	Investor Contacts
<p>K V Raju Associate Director - SME & Vendor Gradings B :+91 80 4040 9940 kvraju@brickworkratings.com</p> <p>Soubhagya R Kahalsingh Ratings Analyst B :+91 80 4040 9940 Ext :358 soubhagya.rs@brickworkratings.com</p>	<p>Liena Thakur Assistant Vice President - Corporate Communications +91 84339 94686 liena.t@brickworkratings.com</p>

Annexure I

Aroma Agrotech Pvt. Ltd.

Details of Bank Loan Facilities rated by BWR

Sl.No.	Name of the Bank	Type of Facility	Long Term [Rs. Crs]	Short Term [Rs. Crs]	Total [Rs. Crs]
1	Canara Bank	Cash Credit	6.00	-	6.00
2		PC/FDB/FBE	0.00	72.00	72.00
3		Term Loan	8.77	-	8.77
4	UCO Bank	Cash Credit	1.60	-	1.60
5		EPC/PCFC/FBP/FBD/FBN	-	19.20	19.20
6	Oriental Bank of Commerce	Cash Credit	2.40	-	2.40
7		Packing Credit	-	28.80	28.80
TOTAL - Rupees One Hundred Thirty Eight Crores and Seventy Seven Lakhs Only					138.77



For print and digital media

The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

About Brickwork Ratings: Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, 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 leading public sector 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, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

DISCLAIMER: Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reason.