



Rating Rationale

Aroma Agrotech Pvt. Ltd.

14 Dec 2018

Brickwork Ratings upgrades the long term rating and short term rating for the Bank Loan Facilities of Rs. 141.11 Crs of Aroma Agrotech Pvt. Ltd.

Particulars:

Facility Rated	Amount (Rs. Crs)		Tenure	Rating*	
	Previous	Present		Previous (December, 2017)	Present
Fund Based					
Term Loan	13.42	11.11	Long Term	BWR BBB (Pronounced as BWR Triple B) (Outlook: Stable)	BWR BBB+ (Pronounced as BWR Triple B Plus) (Outlook: Stable) (Upgraded)
Cash Credit	10.00	10.00			
Packing Credit/ Bill Discounting/ Bill Purchase	120.00	120.00	Short Term	BWR A3 (Pronounced as BWR A Three)	BWR A2 (Pronounced as BWR A Two) (Upgraded)
Total	143.42	141.11	INR One Hundred Forty One Crores and Eleven Lakhs Only		

Annexure I shows details of bank loan facilities

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

Rating: Long Term and Short Term Rating Upgraded

Brickwork Ratings upgrades the long term rating from “BWR BBB ” to “BBB+” with Outlook: Stable and short term rating from “BWR A3” to “BWR A2” to the bank loan facilities aggregating Rs. 141.11 Crores of Aroma Agrotech Pvt Ltd..



Rationale/Description of Key Rating Drivers/Rating sensitivities:

The rating has factored, inter alia, existence of the company for 9 years with continuous improvement in revenue for the last three years, experience of promoters of nearly a decade in basmati rice processing and selling business, locational advantage of the company being in a paddy growing belt, established relationship with the customers with repeat orders and adequate debt coverage ratios in FY18. However the rating is constrained by working capital intensive nature of business operations and intense competition in the industry. Going forward, ability of the company to scale up its operations, to improve its profit margins while managing its gearing in an intensely competitive industry will remain the key rating sensitivities.

Rating Outlook: Stable

BWR believes that the business risk profile of Aroma Agrotech Pvt Ltd 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.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria (hyperlinks provided at the end of this rationale)

Key Rating Drivers

Credit Strengths

- **Experienced Directors:** The Directors of the firm are brothers and having nearly a decade of experience in basmati rice processing and selling line of business.
- **Long Existence of the Company:** The company is in existence for 9 years with satisfactory business history.
- **Locational Advantage:** The company has its manufacturing unit at Karnal, Haryana, which is a major paddy cultivation region.
- **Revenue Growth in FY18:** Total operating income of the firm has increased from Rs. 390.81 crores in FY17 to Rs. 539.41 Crores in FY18.
- **Adequate Debt Protection Metrics :** The company has adequate debt protection metrics with ISCR of 2.26 times and DSCR of 1.77 times in FY18.



Credit Weaknesses

- **Working Capital Intensive Nature of Business:** Working capital intensive nature of business operations in order to maintain high inventory levels throughout the year.
- **Inherent Industry Risk:** Inherent industry risk such as regulatory risk, unfavourable market conditions owing to bleak monsoons and exposure to price fluctuation of paddy.
- **High Degree of Competition:** Stiff competition from other organized and unorganized players in the industry.

About the Company:

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 are 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 with 70 to 80% utilisation. The company procures paddy directly from farmers, from local traders as well as from nearby grain markets. The company is export oriented company. Nearly 85% of revenue of the company is generated through exporting rice to Middle East countries and Europe and the remaining 15% by domestic sales.

Company's Financial Performance:

Total operating income of the company has increased from Rs. 390.81 Cr in FY17 to Rs. 539.41 Cr in FY18. The company has reported operating profit margin of 6.44% and net profit margin of 2% in FY18. Tangible net worth of the company stood at Rs. 55.43 Cr as on March 31, 2018 as against Rs. 44.78 Cr as on March 31, 2017.

As per the information provided by the management, the company has achieved sales of Rs.309.51 Cr during 1-April-2018 to 30-October-2018 and expecting a revenue target of ~ Rs. 570.00 Cr in FY19.

Parameters	Units	31-Mar-2016	31-Mar-2017	31-Mar-2018
		(Audited)	(Audited)	(Audited)
Total Operating Income	Rs. Crores	279.10	390.81	539.41
EBIDTA	Rs. Crores	17.43	30.02	34.75
PAT	Rs. Crores	2.94	8.63	10.76
Tangible Net Worth (TNW)	Rs. Crores	35.77	44.78	55.43
Total Debt : TNW	Times	2.86	4.10	3.44
DSCR	Times	1.39	1.73	1.77
ISCR	Times	1.60	2.17	2.26
Current Ratio	Times	1.20	1.15	1.18

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

Sl. No.	Instrument/ Facility	Current Rating (2018)			Rating History		
		Type	Amount (Rs. Crs)	Rating	Dec 21, 2017	2016	2015
1	Term Loan	Long Term	11.11	BWR BBB+ (Pronounced as BWR Triple B Plus) Outlook: Stable	BWR BBB (Pronounced as BWR Triple B) Outlook: Stable	Nil	Nil
2	Cash Credit		10.00				
3	Packing Credit/ Bill Discounting/ Bill Purchase	Short Term	120.00	BWR A2 (Pronounced as BWR A Two)	BWR A3 (Pronounced as BWR A Three)		
Total			141.11	INR One Hundred Forty One Crores and Eleven Lakhs Only			

Hyperlink/Reference to applicable Criteria

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



For any other criteria obtain hyperlinks from website

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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, 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.

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Annexure I : Details of the bank facilities rated

Bank Wise Details (Consortium Banking, Canara Bank being the lead Bank)			
Bank Name	Fund Based	Non-Fund Based	Total Rated Amount
	Rs. Crs	Rs. Crs	Rs. Crs
Canara Bank	89.11	0.00	89.11
Oriental Bank of Commerce	31.20	0.00	31.20
UCO Bank	20.80	0.00	20.80
TOTAL	141.11	0.00	141.11