Rating Rationale

Aroma Agrotech Pvt. Ltd.

21 Dec 2017

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of Rs. 143.42 Crs of Aroma Agrotech Pvt. Ltd.

Particulars

Facility Rated	Amount (Rs. Crs)	Tenure	Rating*
Fund Based			
Term Loan	**13.42**	**Long Term**	**BWR BBB (Pronounced as BWR Triple B) Outlook: Stable**
Cash Credit	**10.00**		
Packing Credit/ Bill Discounting/ Bill Purchase	**120.00**	**Short Term**	**BWR A3 (Pronounced as BWR A Three)**
Total	**Rs. 143.42 Crores (Rupees One Hundred Forty Three Crores and Forty Two Lakhs Only)**		

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

Rating: Assigned

Brickwork Ratings assigned long term rating of 'BWR BBB' and short term rating of 'BWR A3' to the bank loan facilities of Rs. 143.42 Crores of Aroma Agrotech Pvt. Ltd.

Rationale/Description of Key Rating Drivers/Rating sensitivities:

The rating has factored, inter alia, Promoters' nearly a decade experience in basmati rice processing and trading line of business, existence of the company for 8 years, locational advantage of the company being in a paddy growing belt, improvement in revenue in FY17 and expected growth in revenue in coming years due to increased production capacity from

12MT/Hour to 24MT/Hour. However the rating is constrained by modest scale of operations, comparatively high gearing in FY17, working capital intensive nature of business and stiff competition in the industry. Going forward, ability of the company to scale up its operations, improve its profitability margins and to manage its capital structure will be the key rating sensitivities.

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 company are having nearly a decade experience in basmati rice processing and trading line of business.
- **Growth in Turnover:** The total operating income of the company has increased from Rs. 279.10 Crores in FY16 to Rs. 390.81 Crores in FY17.
- **Increase in Production Capacity:** The company has enhanced its production capacity from 12 MT per hour to 24MT per hour by installing additional machineries.
- **Locational Advantage:** Locational advantage of the company being in a paddy growing belt and close proximity of the mill to local grain markets.

Credit Weaknesses

- **Comparatively High Gearing in FY17:** Gearing is comparatively high with total debt to tangible net worth of 4.10 times in FY17 as against 2.86 times in FY16.
- **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.
- **Highly Competitive Industry:** The basmati rice industry is highly competitive with presence of large number of organized and unorganized players.

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 brothers. The company is engaged in milling, processing, packaging of basmati rice The company sells its 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 from farmers and traders from nearby grain markets. The company is export oriented as nearly 85% of revenue is generated through exporting rice to Middle East countries & Europe and the remaining 15% by domestic sales.

Company's Financial Performance

The Company has registered a total operating income of ₹ 390.81 Cr in FY17 as against ₹ 279.10 Cr in FY16. The company has reported operating profit margin of 7.68% and net profit margin of 2.21% in FY17 as against operating profit margin of 6.25% and net profit margin of 1.05% in FY16. The total debt to tangible net worth of the company was 4.10 times in FY17 as compared to 2.86 times in FY16. The tangible net worth of the company stood at ₹ 44.78 Cr as on March 31, 2017.

The company has achieved sales of Rs. 312.99 Crores till November 21, 2017 during FY18.

Parameters	31-Mar-2015	31-Mar-2016	31-Mar-2017
	(Audited)	(Audited)	(Audited)
Total Operating Income (Rs. Crores)	372.39	279.10	390.81
EBIDTA (Rs. Crores)	24.11	17.43	30.02
PAT (Rs. Crores)	3.13	2.94	8.63
Tangible Networth (TNW) (Rs. Crores)	32.83	35.77	44.78
Total Debt : TNW (Times)	3.74	2.86	4.10
Current Ratio (Times)	1.15	1.20	1.15

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

Sl. No	Instrument/ Facility	Current Rating (Year 2017)			Rating History		
		Type	Amount (Rs. Crs)	Rating	2016	2015	2014
1	**Term Loan**	**Long Term**	**13.42**	**BWR BBB (Pronounced as BWR Triple B) Outlook: Stable**	Nil	Nil	Nil
2	**Cash Credit**	**Long Term**	**10.00**		Nil	Nil	Nil
3	**Packing Credit/ Bill Discounting/ Bill Purchase**	**Short Term**	**120.00**	**BWR A3 (Pronounced as BWR A Three)**	Nil	Nil	Nil
Total			**Rs. 143.42 Crores (Rupees One Hundred Forty Three Crores and Forty Two Lakhs Only)**				

Disclosure: CRISIL has reaffirmed the long term rating of "CRISIL BBB-/Stable" and short term rating of "CRISIL A3" on October 17, 2016, for combined Bank Loan Facilities of Rs. 147.00 Crores.

Hyperlink/Reference to applicable Criteria

- General Criteria
- Manufacturing Companies
- Approach to Financial Ratios
- Short Term Debt

For any other criteria obtain hyperlinks from website

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Annexure - I - Details of the Bank Loan facilities Rated

Bank Wise Details (Consortium Banking, Canara Bank being the lead Bank)			
Bank Name	**Fund Based (Rs. Crs)**	**Non Fund Based (Rs. Crs)**	**Total (Rs. Crs)**
Canara Bank	**91.42**	**0.00**	**91.42**
Oriental Bank of Commerce	**31.20**	**0.00**	**31.20**
UCO Bank	**20.80**	**0.00**	**20.80**
Total	**143.42**	**0.00**	**143.42**

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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 ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.