

## Rating Rationale

Arti Roller Flour Industries Private Ltd.

31 Jan 2018

**Brickwork Ratings assigns BWR B+/A4 for the Bank Loan Facilities of Rs. 6.10 Crs of Arti Roller Flour Industries Private Ltd.**

### Particulars

Facility Rated#	Amount (Rs. Crs)	Tenure	Rating^
<b><u>Fund Based</u></b> Cash Credit Term Loan	5.65 0.30	Long term	<b>BWR B+</b> (Pronounced BWR Single B Plus) Outlook : Stable <b>Assigned</b>
<b><u>Non Fund Based</u></b> Bank Guarantee	0.15	Short term	<b>BWR A4</b> (Pronounced BWR A Four) <b>Assigned</b>
<b>Total</b>	<b>6.10 (INR Six Crores and Ten Lakhs Only)</b>		

^ Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

# Annexure-I provides details of bank facilities

### Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financials of Arti Roller Flour Industries Private Ltd. ('ARFIPL' or the Company) upto FY17, publicly available information and information/clarifications provided by the management.

The ratings draw strength from the promoters' experience in the flour processing business and established relationships with customers and suppliers. The ratings are constrained by modest scale of operations, thin profitability and working capital intensive operations.

Going forward, the company's ability to increase its scale of operations, improve profitability, strengthen its credit profile and manage its working capital effectively would be the key rating sensitivities.

### 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).

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### **Key Rating drivers**

- **Promoters' experience**

The company's promoters have experience of more than two decades in the flour processing business.

- **Long term relationships with customers and suppliers**

The company has established and long-standing relationships with customers such as Somsons Agro Foods, SS Food Industries and Ganesh Trading Co. Its major suppliers are Bhagat Enterprises, Garg Traders and GM FCI Punjab.

- **Scale of operations**

ARFIPL's scale of operations was moderate with Revenue from operations at Rs. 24.19 Crs in FY16 and Rs. 23.83 Crs in FY17. The company has stopped exporting since FY15.

- **Thin profitability**

The company has weak profitability as the industry is highly competitive and fragmented. Net profit margin was 0.96% in FY16 and fell to 0.90% in FY17. Operating profit margins are average at 5.71% in FY16 and 5.95% in FY17.

- **Working capital intensive operations**

The company's business depends on the availability of working capital financing, due to the credit terms prevalent with customers and suppliers. Suppliers extend credit period of 8 to 10 days while a credit period of around 30 days is provided to customers.

### **Rating Outlook : Stable**

BWR believes that Arti Roller Flour Industries Private Ltd.'s 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 margins show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and margins show lower than expected figures.

### **About the Company**

Arti Roller Flour Industries Private Ltd. (ARFIPL), was incorporated in 1998 at Khanna, Punjab. The company is engaged in processing of wheat into semolina flour and whole wheat flour. Major products manufactured include maida, suji, rawa, chokar and chakki aata. Products are sold under the company's brand name - 'Murli Bhog'. The company's manufacturing facility is located in Punjab with total installed capacity of 30,000 MT. The company's related entity is 'Arti Agro Tech Pvt. Ltd.'

### **Financial Performance**

The company reported Revenue from Operations of Rs. 23.83 Crs for FY17 as against Rs. 24.19 Crs in FY16. PAT was Rs. 0.21 Crs for FY17 and Rs. 0.23 Crs for FY16. Tangible net worth, net profit margin and gearing as on March 31 2017 stood at Rs. 2.83 Crs, 0.90% and 1.69 times respectively. Current ratio was 1.35 times as on 31/3/2016 and improved marginally to 1.42 times as on 31/3/2017. ISCR was 1.66 times and DSCR was 1.39 times as on 31/3/2017. On a provisional basis, Revenue from Operations was approximately Rs. 20 Crs as on 31 December 2017.

Key financial indicators are furnished in Annexure II.

**Rating History for the last three years:**

Instrument/ Facility	Current Rating (January 2018)			Rating History		
	Type	Amount (Rs. Crs)	Rating	2017	2016	2015
<b>Fund Based</b> Cash Credit Term Loan	Long term	5.65 0.30	BWR B+ (Outlook: Stable) Assigned	Not Rated	Not Rated	Not Rated
<b>Non Fund Based</b> Bank Guarantee	Short term	0.15	BWR A4 Assigned			
	<b>Total :</b>	<b>6.10</b>	<b>INR Six Crores and Ten Lakhs Only</b>			

**Status of non-cooperation with previous CRA:**

CRISIL Ratings, vide its press release dated 19 December 2017, has migrated the rating of the bank loan facilities of Arti Roller Flour Industries Private Ltd. to the ‘ISSUER NOT COOPERATING’ category on account of non-provision of requisite information needed to conduct the rating exercise.

**Any other information:** Not applicable

**Hyperlink/Reference to applicable Criteria:**

- [General Criteria](#)
- [Manufacturing Entities](#)
- [Approach to Financial Ratios](#)
- [Short Term Debt](#)

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**Arti Roller Flour Industries Private Ltd.**

**Annexure I – Details of Rated Facilities**

<b>Bank Facilities</b> Corporation Bank, Khanna Branch	<b>Rated Amount</b> (Rs. Crs)
<b>Fund based</b>	
Cash Credit	5.65
Term Loan	0.30
<b>Non Fund Based</b>	
Bank Guarantee	0.15
<b>Total</b>	<b>6.10</b>

**Annexure II – Key Financial Indicators**

<b>Particulars</b>	<b>FY2016 (A)</b>	<b>FY2017 (A)</b>
<b>Revenue from Operations</b> (Rs. Cr)	24.19	23.83
<b>EBITDA</b> (Rs. Cr)	1.38	1.42
<b>PAT</b> (Rs. Cr)	0.23	0.21
<b>Tangible Net Worth</b> (Rs. Cr)	2.61	2.83
<b>Total Debt : Tangible Net Worth</b> (Times)	2.53	1.69
<b>Current Ratio</b> (Times)	1.35	1.42

### **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](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto: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.

### **DISCLAIMER**

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