

Rating Rationale

Ashutosh Foods

07 Mar 2019

Brickwork Ratings reaffirms the long term rating and short term rating for the Bank Loan facilities of Rs 49 Crs of Ashutosh Foods

Particulars:

Issue	Amount Rated (` Cr)		Tenure	Rating History (27 Oct 2017)	Rating Assigned [^]
	Previous	Present			
Fund Based					
CC (Hyp & BD)	44.00	44.00	Long Term	BWR BB (Pronounced as BWR Double B) Outlook:Stable	BWR BB (Pronounced as BWR Double B) Outlook:Stable Reaffirmation
PCL (Sub limit of CC)	(20.00)	(20.00)	Short term	BWR A4+ (Pronounced as BWR Single A Four Plus)	BWR A4+ (Pronounced as BWR Single A Four Plus) Reaffirmation
FOBP (Sub Limit of CC)	(20.00)	(20.00)			
PCFC (Sub Limit of CC)	(20.00)	(20.00)			
WHR	5.00	5.00			
Total	49.00	49.00	Rs.Forty Nine Crores Only		

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

Ratings: Reaffirmed

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon audited financial results of **Ashutosh Foods (AF or “The Firm”)** upto FY18, provisional financial data upto September 2018, publicly available information and information provided by the management of the Firm.

The ratings draw comfort from the promoters’ experience of more than a decade in their line of business activity and their ability to infuse funds into the business, healthy growth in top line and bottom line in FY18, strong financial risk profile and high demand for the product offerings from various industries.

The ratings, however, are constrained on account of vulnerability to fluctuations in prices of raw material and finished goods, exposure to inherent cyclicalities and to slowdown in end-user industry and intense competition in the steel industry.

Key Rating Strengths

1. **Experienced promoters with long industry presence** - The promoters and their family members have been involved in the business of rice milling, processing and sorting for more than a decade and have a thorough knowledge of the market. The long presence in the industry has helped the firm to establish strong relationship with its suppliers and customers.
2. **Presence in a major rice growing area ensures easy availability of rice** – India’s long-grain Basmati rice is cultivated in the northern Indian states of Punjab, Haryana, West Uttar Pradesh, Uttarakhand and Himachal Pradesh. The firm’s location at Karnal (Haryana) ensures easy raw material availability from all neighboring states.
3. **Good demand prospects for the industry as rice is a staple food grain and India is the world’s second largest producer and consumer of rice** - Rice is one of the important food crops and is the staple diet for a significant part of the world population. Rice ranks among the top three food grains in terms of worldwide production. Over 90 per cent of the global rice output and consumption is concentrated in Asia, and hence the demand prospects of rice industry would continue to be favourable for Indian players.

Key Rating Weaknesses

1. **Low profitability coupled with weak debt protection metrics** - The operating profit margin has remained low due to limited value addition and an intensely competitive industry. This coupled with high interest cost on borrowed funds has led to weak debt protection metrics marked by ISCR and DSCR at 1.16X and 0.53X in FY 17 vis-a vis 1.08x and 0.56x in FY18 respectively.
2. **Intense industry competition, characterised by the presence of large number of organised and unorganised players** - The rice industry is highly competitive and fragmented in nature because of the presence of established players having a good brand recognition along with numerous small players.
3. **Exposure to Agro climatic risks** - Rice being an agricultural commodity is exposed to vagaries of monsoon and other agricultural risks such as disease outbreak, lower/higher-than-projected production levels (which impact the supply and hence the price), poor storage capacities and quality inconsistencies. The firm’s ability to buy paddy of consistent quality at right price is the key to success in the basmati rice industry.
4. **Low Capital Base:** Due to low TNW, gearing (TOL/TNW ratio) is high at 7.52x as in FY18.

Rating Outlook: Stable

BWR believes that **Ashutosh Foods’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 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:

BWR has taken the financials of the Company on a standalone basis into consideration while determining the credit rating of the entity. A reference may be made to hyperlinks below for the applicable criteria.

About the Company:

Karnal Haryana) based Ashutosh Foods was established in 2004 and currently being managed by Mr.Sushil Kumar and Mr. Ashish Singla. AF is engaged in processing and export of superior Basmati rice and its manufacturing unit is located at Karnal with the installed capacity of 200 M.tonnes per day .

Firm's Financial Performance.

Key Financials			
Result Type	Limits	31/Mar/2017	31/Mar/2018
		Audited	Audited
TOI	Rs. Crs	257.43	274.96
OPBDIT	Rs. Crs	8.54	8.47
PAT	Rs. Crs	0.72	0.77
Tangible Net Worth	Rs. Crs	9.83	10.17
TOL/TNW	Times	11.62	7.82
Current Ratio	Times	9.83	10.17

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

Facilities	Present Rating (2019)			Rating History			
	Rated Amount (Rs. Crs)	Tenor	Rating	28 Jan 2019	2018	27 Oct 2017	2016
Fund based							
CC (Hyp & BD)	44.00	Long Term	BWR BB (Pronounced as BWR Double B) Outlook: Stable Reaffirmation	Rating moved to Not Reviewed Advisory	NA	BWR BB (Pronounced as BWR Double B) Outlook: Stable	NA
PCL (Sub limit of CC)	(20.00)	Short Term	BWR A4+ (Pronounced as	Rating	NA	BWR A4+ (Pronounced	NA

FOBP (Sub Limit of CC)	(20.00)		BWR Single A Four Plus) Reaffirmation	moved to Not Reviewed Advisory		as BWR Single A Four Plus)	
PCFC (Sub Limit of CC)	(20.00)						
WHR	5.00						
Total	49.00	Rs.Forty Nine Crores Only					

Status of non-cooperation with previous CRA (if applicable) – NA

Any other information – NIL

Hyperlink/Reference to applicable Criteria

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

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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