



## Rating Rationale

### Ashutosh Foods

October 27, 2017

**Brickwork Ratings assigns ratings for the bank loan facilities of Ashutosh Foods.**

#### Particulars

Facilities Availed	Amount to be Rated (In Crs)	Tenure	Rating Proposed
<b>Fund Based</b>			
CC ( BD and HYP)	44.00	Long Term	BWR BB ( Pronounced as BWR Double B ) Outlook : Stable
PCL (Sublimit of CC)	(20.00)	Short Term	BWR A4+ ( Pronounced as Single A Four Plus)
FOBP (Sumlimit of CC)	(20.00)		
PCFC (Sumlimit of CC)	(20.00)		
WHR	5.00		
Forward Contract	0.40		
<b>Total amount to be rated</b>	<b>49.40</b>	<b>INR.Forty Nine Crores and Forty lacs</b>	

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

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

BWR has principally relied upon audited financial results of **Ashutosh Foods** up to FY17, and projections of FY18 and FY19, publicly available information and information provided by the promoters.

The rating assigned draws comfort from the rating continues to positively factor in the extensive experience of the promoters in the rice industry, proximity of the mill to major rice-growing areas which results in easy availability of paddy and stable demand outlook for rice and YOY increase in Operating Income of the firm.



The rating is, however, constrained on account of low capital base, the working capital intensive nature of the rice-milling business arising out of the need to maintain substantial inventories, high intensity of industry competition, which has resulted in low profitability.

Going forward, the firm's ability to profitably scale up its operations, while improving its capital structure and maintaining an optimal working cycle, will be the key rating sensitivity.

### **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 gained a thorough knowledge of the market. Such a 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 north 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.
- 4. YOY increase in Operating income** : The total revenue from operations has increased in FY17 by 31.89% due to increase in demand from customers and the same stood at INR 257.43Cr in FY17. Of the total revenue domestic rice sale and export sale contributes to 75.95% and 24.05% .

### **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



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4. 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 respectively.
5. **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.
6. **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.
7. **Low Capital Base:** Due to low TNW gearing is high at 8.65X as on March ,2017. However the same is partially off set by the quasi equity by the way of unsecured loans of INR 29.23Cr from the family members.

### **Rating Outlook: Stable**

BWR believes the **Ashutosh Foods** 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.

### **About the Firm**

Karnal (HRY) based Ashutosh Foods was incorporated in 2004 as a partnership firm by Mr.Sushil Kumar and Mr. Ashish Singla. AF is engaged in processing and export of super Basmati rice.

Currently, firm is supplying its products to all parts of India & exports to countries of IRAN, UAE & K.S.A under the brand name BANI-TANI, HUSSAIN AND HUSSAIN GOLD.The firm's manufacturing unit is located at Karnal with the installed capacity of 200 M.T. per day .

## Firm's Financial Performance

<b>Key Financials</b>			
Result Type	Limits	31/Mar/2016	31/Mar/2017
		Audited	Audited
Total Operating Income	Crs	195.10	257.43
OPBDIT	Crs	6.32	8.54
PAT	Crs	0.61	0.72
Tangible Net Worth	Crs	9.13	9.83
TOL/TNW	Times	9.03	8.65
Current Ratio	Times	2.39	1.42

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

Facilities Available	Rating Assigned			Rating History		
	Amount to be Rated (In Crs)	Tenure	Rating Assigned	2016	2015	2014
CC ( BD and HYP)	44.00	Long Term	BWR BB ( Pronounced as BWR Double B ) Outlook : Stable	NA	NA	NA
PCL (Sublimit of CC)	(20.00)	Short Term	BWR A4+ ( Pronounced as Single A Four Plus)	NA	NA	NA
FOBP (Sumlimit of CC)	(20.00)					
PCFC (Sumlimit of CC)	(20.00)					
WHR	5.00					
Forward Contract	0.40					
<b>Total amount to be rated</b>	<b>49.40</b>	<b>INR.Forty Nine Crores and Forty lacs</b>				

**Status of non-cooperation with previous CRA (if applicable): Reason and comments: NIL**

**Any other information: Not Applicable**

**Hyperlink/Reference to Applicable Criteria**

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



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### **Note on complexity levels of the rated instrument:**

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### **About Brickwork Ratings**

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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.

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