



Rating Rationale

Assay Ceramics & Chemicals Pvt Ltd

3 Jan 2018

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹ 7.00 Crores of Assay Ceramics & Chemicals Pvt Ltd.

Particulars

Type	Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based	Cash Credit	4.00	Long Term	BWR BB- (Pronounced BWR Double B Minus) Outlook Stable
	Term Loan ⁺	3.00		
Total		7.00	INR Seven Crores Only	

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

⁺The firm has term loan outstanding as on 13 Dec 2017

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financial results of Assay Ceramics & Chemicals Pvt Ltd up to FY17, projections upto FY19 and information and clarifications provided by the Company.

Description of Key Rating Drivers

The rating continues to factor in promoter's experience in the rice milling industry, established relationship with the customers and suppliers, improving revenue and satisfactory debt protection metrics. However, the rating is constrained by low profitability margins, high gearing level, working capital intensive operations, highly competitive and fragmented industry structure with low entry barriers, vulnerability of profit margins to fluctuations in raw rice prices, which are subject to seasonality and regulatory risk.



Going forward, the ability of the firm to enhance its scale of operations, improve profitability and capital structure and manage its inventory levels efficiently shall be the key rating sensitivities.

Key Rating Drivers:

Promoters' experience and established operations:

The company is managed by Binod Kumar Agarwal and Sapna Goyal, who has vast experience in rice milling industry for more than 3 decades. Such a long presence in the industry has helped the company to establish strong relationship with its suppliers and customers.

Locational advantage:

The processing unit is located in Kharsawan in Jharkhand District, which is in close proximity to the paddy growing areas of the state.

Improving revenue and satisfactory debt coverage:

The revenue of the company has improved from ₹15.01 crores in FY16 to ₹20.43 crores in FY17. The debt coverage indicators of the company have remained satisfactory with interest coverage of 1.96x and debt coverage of 1.46x in FY17.

Highly leveraged capital structure:

The capital structure of the company vis-a-vis the debt stood high with overall gearing ratio of 3.49x in FY17.

Seasonality and agro-climatic risk.

Seasonal nature of availability of raw material resulting in working capital intensive operations and industry is susceptible to agro-climatic risks which can affect the production and prices of paddy.

Highly competitive and fragmented industry structure:

Majority units operating in the rice milling sector being in the small scale sector has resulted in the fragmented nature of the industry as well as intense competition within the players. Given that the processing activity does not involve much of technical expertise or high investment, the entry barriers are low.

Working capital intensive nature of operations:

Agro product processing business is working capital intensive as the millers have to stock paddy by the end of each season till the next season as the price and quality of agro products are better during the harvesting season. Accordingly, the operations remain moderately working capital intensive impacting firm's profitability.



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).

Rating Outlook: *Stable*

BWR believes the **Assay Ceramics & Chemicals Pvt Ltd** 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 Company

Assay Ceramics & Chemicals Pvt Ltd was incorporated as a private limited company in May 2005 by Mr. Binod Kumar Agarwal and Sapna Goyal. Since its inception, the company is engaged in the processing of paddy at its manufacturing facility located in Kharsawan, Jharkhand with a processing capacity of 12 tons per hour.

Company Financial Performance

Net sales from operations was at ₹20.43 crores in FY17 against ₹15.01 crores in FY16. The net profit of the company was at ₹0.23 crores in FY17 as against ₹0.16 crores in FY16.

Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2017)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2016	2015	2014
	Fund Based	Long Term	7.00	BWR BB- Outlook- Stable	-	-	-
	Total		7.00	₹ Seven Crores Only			



Key Financial Indicators

Key Parameters	Units	2017	2016
Result Type		Audited	Audited
Operating Revenue	₹ Cr	20.43	15.01
EBITDA	₹ Cr	1.53	1.01
PAT	₹ Cr	0.23	0.16
Tangible Net worth	₹ Cr	3.09	1.36
Total Debt/Tangible Net worth	Times	3.49	3.52
Current Ratio	Times	1.39	1.15

Hyperlink/Reference to applicable Criteria

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

For any other criteria obtain hyperlinks from website

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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 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 ₹ 10,00,000 Cr. In addition, BWR has rated over 6300 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹24,440 Cr have been rated.

DISCLAIMER

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