



Rating Rationale

Astha Rice Mill Pvt Ltd

31 March 2018

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 5.75 Crores of Astha Rice Mill Pvt Ltd.

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund Based: Cash Credit	5.50	Long Term	BWR B+ (BWR B Plus) Outlook Stable
Non Fund Based: Bank Guarantee	0.25	Short Term	BWR A4 (BWR A Four)
Total	5.75	INR Five Crores Seventy Five Lakhs Only	

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

Rating under Credit Watch with Positive / Negative / Developing implications

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied on the audited financials upto FY17 and projections for the financial year of FY18 and FY19 of Astha Rice Mill Pvt Ltd ('ARMPL', or 'the Company'), information /clarifications provided by the Company's management and publicly available information.

The rating derives strength from the experience of the directors in the rice milling industry, increased capacity utilization of the plant through modernization, comfortable capital structure and debt protection metrics, apart from increased demand and diversified client profile. However, the rating is constrained by intense competitive nature of the industry, adhering to regulatory challenges, managing the volatility in raw material price. Going forward, the ability of the company to improve on revenues, profitability margins and manage working capital requirements efficiently would be the key rating sensitivities.

Description of Key Rating Drivers

Credit Strengths:

- **Experience of Directors:** The Key Directors of the Company, Asrafal Alam Seikh has three decades of experience and his son Saidul Alam Seikh has over a decade of experience in the rice milling industry.



- **Favorable Demand:** The demand of rice is very high in the Indian Food Industry as it is consumed by 65% population as staple food.
- **Moderate debt Protection Indicator:** The debt protection metrics of the Company is reflected by interest and debt service coverage ratios at 1.93 times and 1.67 times respectively.
- **Diversified Clientele Profile:** The Company have diversified clientele profile and maintain a long standing relationship since inception.

Credit Risks:

- **Modest Scale of Operation:** The turnover though increasing is relatively lower in the industry, and has lower profitability margins
- **Intense Competition in the Industry:** The rice milling industry is highly competitive due to presence of organised and unorganised players in the industry. Intense Competition coupled with availability of raw material may increase the price volatility risk.
- **Climate and Other Risk:** Rice, being an agricultural commodity, is exposed to the vagaries of monsoon and other environmental risk.
- **Geographic Concentration Risk:** The Rice milling unit of the Company is present in Burdwan, West Bengal and exposed to high geographic concentration risk.

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 **Astha Rice Mill 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

Astha Rice Mills Pvt Ltd , a closely held Private Limited Company, incorporated in April 2010 was originally promoted by Samsul Alam Seikh, Golam Ahmed, Saidul Alam Seikh and Anisul Ambia Seikh. The promoters of the company have set up a 48TPD paddy milling plant on double shift basis located at Paraj, Burdwan in West Bengal. In addition to rice brand name MOTI BHOG and ASTHA PREMIUM it manufactures rice bran as a by-product.

Company Financial Performance

As per the Audited financial FY17, The Company has reported gross sales of ₹ 25.13 Crores against ₹ 19.23 Crores in FY16, however the operating profit margins have decreased from 5.23% in FY16 to 2.83% in FY17. The Bank has informed of the account being standard with satisfactory conduct.

Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2018)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2017	2016	2015
1	Fund Based: Cash Credit	Long Term	5.50	BWR B+ (Outlook Stable)	NA	NA	NA
	Non Fund Based: Bank Guarantee	Short Term	0.25	BWR A4	NA	NA	NA
	Total		5.75	₹Five Crores and Seventy Five Lakhs Only			

Aforesaid facilities availed from Bank of Baroda

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

Any other information: NA

Key Financial Indicators

Key Parameters	Units	2017	2016
Result Type		Audited	Audited
Operating Revenue	₹ Cr	25.29	19.23
EBITDA	₹ Cr	0.97	1.01
PAT	₹ Cr	0.31	0.22
Tangible Net worth	₹ Cr	2.75	2.44
Total Debt/Tangible Net worth	Times	1.67	1.94
Current Ratio	Times	1.13	1.19

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure Sector](#)



- [Short Term Debt](#)

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

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.