



Rating Rationale

Ashutosh Flour Mill

6 June 2019

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹. 8.09 Crores of Ashutosh Flour Mill.

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Feb, 2018)	Present
Fund based			Long Term	BWR B+ (Pronounced as Single B Plus) Outlook: Stable	BWR B+ (Pronounced as Single B Plus) Outlook: Stable (Reaffirmed)
Cash Credit	8.00	8.00			
Term Loan	0.18	0.09			
Total	8.18	8.09	INR Eight Crore and Nine Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
Complete details of Bank facilities is provided in Annexure-I

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financial results of the Company upto FY18, projected financials for FY19, FY20, FY21, publicly available information and information/clarifications provided by the management.

The rating draws strength from the experience of the partners of more than a decade in the same line of business of processing of wheat, moderate debt protection metrics i.e. ISCR (Analysed) and DSCR at 1.58X and 1.11X in FY18, efficient cash conversion cycle of 60 days in FY17 which has got stretched to 82 Days in FY18 owing to high inventory days.

The rating, however, is constrained by exposure to agro climatic risk and government regulations, high gearing, weak profitability margins, weak liquidity i.e. current ratio at 1.23X in FY18 and exposure to intense competition in flour mill industry

Going forward the partners' ability to infuse capital to improve the gearing levels and profitability will be the key rating sensitivities.



Description of Key Rating Drivers

Credit Strengths:

- **Experienced Partners :** Vijay Kumar Agarwal and Tanuj Agarwal are the partners in the firm running the business. Partners have been in the same line of business for more than a decade.
- **Debt Protection Metrics** i.e. ISCR (Analysed) and DSCR at 1.58X and 1.11X respectively in FY18 are considered moderate.
- **Conversion Cycle** of 60 Days in FY17 is considered efficient which has got stretched to 82 Days in FY18 owing to long Inventory days. However, the same is within 90 days and thus considered efficient and represents moderate duration of time the company takes to sell its inventory, collect its receivables and pay its bills. The company enjoys good credit terms from their suppliers and the credit terms extended to their customers is lower which shows good credibility of the company in the market

Credit Risks:

- **Exposure to agro climatic risk and government regulations :** Wheat is the main raw material for the production of atta, maida, sooji. The production of wheat mainly depends on agro climatic conditions. The prices of wheat are also regulated by the government by fixing the MSP (Minimum Support Price) which may affect the cost of production.
- **Exposure to intense competition in the flour mill industry leading to low operating profitability:** The flour mill industry has numerous small, unorganised players catering to local demand. Consequently, pricing power of suppliers is restricted, constraining operating margin. AFM's OPM was 4.18% for the fiscal ended March 31, 2018.
- **Weak Financial risk profile :** Gearing and overall gearing at 3.38X and 3.40X respectively in FY18 is considered high owing to low Partners' Capital. Profitability Margins i.e. Operating Profit Margin and Net Profit Margin at 4.18% and 0.26% respectively in FY18 are considered below the benchmark. Liquidity i.e Current ratio at 1.23x in FY18 is also below the benchmark.

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 **Ashutosh Flour Mill** 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

Ashutosh Flour Mill was established in 2004 as a Family based Partnership firm. The firm is engaged in processing of wheat into atta, maida, sooji, choker and dalia at its manufacturing unit with 60% utilization capacity per month. The firm has around 4-5 godowns where the raw materials like wheat, paddy are stored. The firm is part of the Group 'Jaswanti Group of Industries, which is an agro based group in which the companies are involved in agro product manufacturing. The group companies include Jaswanti Rice Mill, Jai Guru Mill, JV seeds, Jaswanti quality. Mr. Vijaykumar Agarwal and Mr. Tanuj Agarwal are the partners.

Liquidity Position : Current ratio of the Company at 1.23X in FY18 is considered weak. The company has availed a CC of Rs.8.00 Cr. with generally above 90% utilization. Conversion Cycle of 82 Days in FY18 is considered comfortable.

Company Financial Performance

During FY18, the firm reported net revenues of Rs.36.28 Crs and PAT of Rs.0.09 Crs. According to the information provided by the management, the company has clocked a revenue of Rs.37.48 Crs in current financial year (FY19).

Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type			
Operating Revenue	₹ Cr	36.28	37.70
EBITDA	₹ Cr	1.52	1.47
PAT	₹ Cr	0.09	0.12
Tangible Net worth	₹ Cr	2.43	2.24
Total Debt/Tangible Net worth	Times	3.38	3.86
Current Ratio	Times	1.23	1.22

Rating History for the last three years

S.No	Instrument /Facility	Current Rating (June, 2019)			Rating History	
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	Feb, 2018	FY17
	Fund Based Cash Credit Term Loan	Long Term	8.00 0.09	BWR B+ (Pronounced as Single B Plus) Outlook: Stable (Reaffirmed)	BWR B+ (Pronounced as Single B Plus) Outlook: Stable	
	Total		8.09	₹ Eight Crore and Nine Lakhs Only		

Hyperlink/Reference to applicable Criteria

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