

Rating Rationale

Brickwork Ratings assigns ‘BWR B+’ (Outlook: Stable) to the long-term Bank Loan Facilities amounting to ₹ 12 Crores of A L Overseas (ALO)

Bank Loan Rating: ‘ BWR B+’

Outlook : Stable

Brickwork Ratings has assigned the following rating to A L Overseas (ALO)’s Bank Loan facilities amounting to ₹ 12 Crores:

Facility	Tenure	Amount	Rating
Cash Credit	Long Term	₹12.00 crores	<p>“BWR B+” (Pronounced BWR B Plus) Facilities with this rating are considered to have high risk of default regarding timely servicing of financial obligations.</p>
Total ₹12 Crores (Rupees Twelve Crores Only)			

BWR has principally relied upon the audited financial results of ALO’s for FY10, FY11, FY12, projected financials for FY13, publicly available information and information/clarification provided by the proprietorship firm.

Background

A L Overseas, a sole proprietorship firm, set up in 1995 is promoted by Shri Bharat Bhushan Bansal. The firm has its unit at Narela Mandi, New Delhi and is engaged in milling and shelling of rice -Basmati rice, non basmati rice, par-boiled rice. The firm has an installed capacity of 145 tonnes of rice per day with a capacity utilization of 100% during peak season (Oct – March) and around 65% during the remaining period of the year.

Shareholding Pattern and Management

The proprietor, Shri Bharat Bhushan Bansal, is a graduate engaged in this line of activity since last 15 years. He has a prior experience of working as a Commission Agent of food grain items (Pulses, Paddy etc.) along with his father in Narela Mandi. Shri Krishnan Bansal, father of Shri Bharat Bhushan Bansal is also actively engaged in the day to day activity of AL Overseas and has a business experience of over 2 decades.

Business Process

The firm is engaged in milling and shelling of rice -Basmati rice, non basmati rice, par-boiled rice. Basmati rice are of three types: Brown Rice, White Rice and parboiled (Sella) rice. Brown rice: paddy is milled to get brown rice which has nutritious brown layer. White rice: Brown rice is polished and the bran layer is removed to get white rice. Parboiled (sella) rice: Paddy is soaked in water, dried and then milled, thereby soaking the nutrients inside the rice – Creamy and Golden. The firm procures the best quality of paddy and processes it using modern equipment/ machinery. The firm is equipped with upgraded sorting and grinding capabilities.

The firms' revenues are primarily derived from sales of rice to traders and other established players like L T Foods Ltd with Daawat rice and KRBL (Khushi Ram Behari Lal) with India Gate Basmati Rice (as the respective brands). The firm is also engaged in the sale of rice husk & rice bran to various traders in Delhi, but the sale of the same is not considered in the revenue of the business. The firm also uses the rice husk as a flaming agent in the boiler to produce steam. The fertile alluvial soil, fresh and cold air and the sweet water from the ranges contribute primarily to the unique characteristics associated with the grain. Basmati rice is mainly grown in five states: Haryana, Uttar Pradesh, Uttarakhand, Punjab and Madhya Pradesh, which have a good irrigation system. Being a Kharif Crop, the rice is harvested between September and December. However, the water requirement for Basmati rice is very high and heavily dependent on Monsoon. In case of weak monsoon, the availability of raw material for rice production shall restrict the availability of paddy to the firm. With an experience of over a decade, the firm has developed strong relationship with its customers. The demand for Basmati rice is expected to remain healthy over the medium term. India is the largest producer of rice with 70% of the world's rice production. The rice milling industry has healthy growth prospects.

Financials

The Gross Sales of the firm has increased from Rs.21.06Crores (FY09) to Rs.36.63Crores (FY12). It has achieved Sales of Rs.32.69Crores (Dec 20, 2012) and its ability to meet the estimates of Rs.43.50Crores (FY13) remains to be seen. The profit after tax of the firm though at lower levels has increased from Rs.0.08 Crores (FY09) to Rs.0.18Crores (FY12) and the margins show an improvement from 0.18% (FY09) to 0.50%(FY12). The tangible net-worth of the company has

increased from Rs.2.87 Crores (FY09) to Rs.4.44 Crores (FY12). The ROCE has dropped from 9.23% (FY09) to 5.40% (FY11), however improved to 7.91% (FY12) due to increase in debt component and lower profits. The current ratio of the company at 1.34 (FY11) and 1.41 (FY12), reflects company's ability to optimally utilize the working capital limits. The brief financials of ALO are detailed as per the enclosed Annexure I, II, III.

Rating Outlook

The rating has factored, inter alia, ALO's experienced promoters and presence in this trade of rice milling and shelling. The rating is however constrained by moderately high gearing levels, thin profitability and increasing competition in this segment.

Going forward, ability of ALO to effectively capitalize on marketing its in-house brands (Capital and Shaurat), effectively manage volatility in raw material prices and its availability, which are essential to improve the firm's margins, liquidity position and profitability while achieving the envisaged growth would remain the key rating factors.

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Annexure I – Balance Sheet (ALO)

Year ended (DD-Mon-YYYY)	31-03-2009	31-03-2010	31-03-2011	31-03-2012
Result Type	Audited	Audited	Audited	Audited
Equity and Reserves	2.87	3.00	4.33	4.44
Equity Share Capital	2.79	2.91	4.21	4.26
Reserves	0.08	0.09	0.12	0.18
- Credit(Debit) Balance of Profit and Loss Account	0.08	0.09	0.12	0.18
Non Current Long Term Borrowings	0.03	0.01	0.00	0.00
- Term loans from Banks	0.03	0.01	0.00	0.00
Total Non Current Liabilities	0.03	0.01	0.00	0.00
Current Liabilities				
Short Term Borrowings	4.73	9.61	10.52	13.39
Short Term Borrowings from Banks (Rupee denominated)	3.98	8.66	8.99	11.16
Short Term Borrowings from Friends/Family	0.75	0.95	1.53	2.23
Other current Liabilities	1.91	0.00	1.95	0.09
Trade Payables/Creditors for goods	1.91	0.00	1.95	0.09
Other Current Liabilities	0.00	0.00	0.00	0.00
Total Current Liabilities	6.64	9.61	12.48	13.47
Provision for Income Tax	0.01	0.01	0.02	0.01
Total Current Liabilities and Provisions	6.65	9.62	12.49	13.48
Total Liabilities	9.55	12.63	16.82	17.92
Assets				
NON CURRENT ASSETS				
Gross Block	1.98	2.25	2.16	2.23
Accumulated Depreciation	0.11	0.14	0.13	0.13
Net Block	1.87	2.10	2.03	2.10
Non Current Investments	0.01	0.03	0.08	0.06
Long Term Loans and Advances Given	0.00	0.00	0.00	0.00
Other Long Term Loans and Advances	0.00	0.00	0.00	0.00
Total Non Current Assets	1.88	2.13	2.11	2.17
Current Assets				
FDs with Banks (Current)	0.00	0.50	0.00	0.00
Inventory	6.63	8.80	12.35	8.88
-Raw Material (incl. stores and spares)	0.00	0.00	0.00	0.00
-WIP	0.00	0.00	0.00	0.00
-Finished Goods	6.63	8.80	12.35	8.88
Trade receivables < Six months	0.34	1.06	2.21	6.57
Cash and Bank Balance	0.49	0.06	0.02	0.04
Short Term Loans and Advances Given	0.20	0.08	0.13	0.17
Other Current assets	0.00	0.00	0.01	0.10
Total Current Assets	7.66	10.50	14.71	15.76
Total Assets	9.55	12.63	16.82	17.92

Annexure II – Profit and Loss (ALO)

Year ended (DD-Mon-YYYY)	31-03-2009	31-03-2010	31-03-2011	31-03-2012
Result Type	Audited	Audited	Audited	Audited
Income				
Total Gross Sales (all Domestic)	21.06	22.32	30.29	36.63
Net Sales	21.06	22.32	30.29	36.63
Other Operating Income	0.00	0.00	0.03	0.02
Total Operating Income	21.06	22.32	30.32	36.64
Expenditure				
Raw Material Consumed (including stores, spares and Components)	19.26	20.41	28.02	34.57
Change in Finished Goods Stock (Increase)/Decrease	0.00	0.00	0.00	0.00
Power and Fuel	0.04	0.03	0.01	0.59
Employee Costs	0.42	0.38	0.46	0.25
Manufacturing Expenses	0.05	0.15	0.17	0.29
Cost of Goods Sold	19.76	20.96	28.65	35.70
Selling, General and Other Administrative Expenses(SG&A)	0.49	0.58	0.86	0.31
Total Operating Expenses	20.25	21.55	29.51	36.01
Operating Profit Before Depreciation, Interest and Tax	0.81	0.78	0.81	0.63
Depreciation and Amortization	0.11	0.14	0.13	0.13
Operating Profit Before Interest and Tax	0.70	0.64	0.68	0.50
Interest and Finance Charges	0.62	0.55	0.62	1.11
Operating Profit Before Tax	0.08	0.09	0.06	-0.61
Non Operating Income (Expense)	0.00	0.00	0.06	0.79
Profit Before Tax	0.08	0.09	0.12	0.18
Provision For Taxation	0.00	0.00	0.00	0.00
Profit After Tax	0.08	0.09	0.12	0.18
Retained Profit	0.08	0.09	0.12	0.18
Net Cash Accruals	0.19	0.23	0.25	0.31

Annexure III – Key Ratios (ALO)

Key Ratios		31-03-2009	31-03-2010	31-03-2011	31-03-2012
Debt: Equity	Times	1.66	3.20	2.43	3.01
Interest Service Coverage Ratio	Times	1.30	1.43	1.30	0.57
Debt Service Coverage Ratio	Times	-	-	0.30	0.62
Tangible Net worth	Crores	2.87	3.00	4.33	4.44
Operating Profit Margin	%	3.85	3.49	2.67	1.72
Net Profit Margin	%	0.38	0.40	0.40	0.50
Net Cash Accruals/Total Debt	Times	0.04	0.02	0.02	0.02
ROCE	%	9.23	6.27	5.40	7.91
Current Ratio	Times	1.30	1.21	1.34	1.40