for Informed Investment Decisions

Rating Rationale

Brickwork Ratings assigns 'BWR BB' for Bank Loan Facilities aggregating to ₹ 6.16 Cr of Aarya Organic Foods & Ayurvedic Industries Pvt. Ltd.

Brickwork Ratings (BWR) has assigned the following **Rating**[1] for the Bank Credit Facilities of Aarya Organic Foods & Ayurvedic Industries Pvt. Ltd.

Facility	Limits (₹ Cr)	Tenure	Rating
Cash Credit	**3.50**	**Long Term (Fund Based)**	**BWR BB (Outlook: Stable)**
Term Loans	**2.66**		
Total	**6.16**	**INR Six Crore and Sixteen Lakhs only**	

BWR has essentially relied upon the audited financial results up to FY12 and provisional financials of FY13 and projected financials of FY14 and FY15 of the company, publicly available information and information/clarification provided by the company management.

The rating factors, inter alia, the good milk procurement network through VLCs (Village Level Collection arrangement), growth of revenue and profits over the last 2 years, and low debt level. However, the rating is constrained by short track record, modest scale of operations, and low market share. Being an indirect agro industry, the business is vulnerable to vagaries of nature, as also procurement and pricing policies of Government supported or other larger dairies.

Background:

Aarya Organic Foods and Ayurvedic Industries Pvt. Ltd., was incorporated in Sep 2009 by the promoters Mr. Sushil Kumar and Mr. Dheeraj Sachdeva. The company, engaged in manufacturing of packaged milk and milk products under the brand name 'Aarya' at Haridwar, commenced operations from Apr 01, 2010.

The business falls under the tax free zone where 100% of profit for the first five A.Y. and 25% in next five assessment years is tax free. The company is ISO 9001:2008 certified (certificate expired on 03.05.13). The market share of the company is approx. 2% as per the management.

[1] ***Please refer to www.brickworkratings.com for definition of the Rating***

Business Details:
The Company's milk processing unit is located at Haridwar in the state of Uttaranchal, and has an installed capacity of 50,000 liters per day. This plant along with 5 chilling centers was established at a cost of ₹ 6.50 crores, which was funded by promoters' funds of ₹ 2.88 crores, and Bank Loan of ₹ 3.62 crores.

The company has about 300 Village Level Collectors, who procure milk from the farmers, and bring it to the chilling centers. Thereafter, the milk is transported to the processing center, where pasteurized milk and other products like curd, butter, ghee and paneer are produced, packed and distributed. There are 67 distributors, out of whom 40 are exclusively for ghee. The milk is sold through milk booths, including some company owned booths.

Financial Performance:
During FY 2011-12, the company's net revenue from operations increased substantially to ₹ 20.12 Crores from ₹ 7.29 Crores in FY 2010-11. Profit margins are low in this line of business, and the company reported PAT of ₹ 0.27 crores for FY12. The tangible net-worth is at ₹ 4 Crores as on 31.03.12, but the ratio of Total Debt : Equity ratio stood at 1.7x. As per provisional figures for FY13, the company has registered a turnover of ₹ 35.56 crores and PAT of ₹ 0.97 crores. Currently, the capacity utilization is full, and further increase in volumes requires extended working hours, or adding an additional shift.

Rating Outlook:
Going forward, ability of the company to continue showing consistent growth in sales volumes by extended working hours, increase its operational efficiency and profitability, and improve its Net Worth and market share will be the key rating sensitivities. Any major capex plans, including additional processing facilities or geographical diversification requires additional promoter funding, and needs to be assessed for its viability vis-à-vis competition.

analyst@brickworkratings.com	bd@brickworkratings.com
Phone	**Media Contact**
1-860-425-2742	media@brickworkratings.com