

Rating Rationale

Brickwork Ratings assigns 'BWR BB-' with Stable outlook for the Bank Loan Facilities of ₹ 47.33 Cr of Amrapali Biotech India Pvt. Ltd.

Brickwork Ratings (BWR) has assigned the following **Rating¹** for the Bank Loan Facilities of ₹ 47.33 Cr of Amrapali Biotech India Pvt Ltd ("**the Company**").

Facility	Bank Name	Amount (₹ Cr)	Tenure	Rating
Term Loan 1	Oriental Bank of Commerce	4.83	Long Term	BWR BB- (BWR Double B Minus) (Outlook: Stable)
Term Loan 2		20.00		
Cash Credit		22.50		
Total Rated Limits		47.33	INR Forty Seven Crores Thirty Three Lakhs only	

The rating has factored, inter alia, reputation of the promoter group, and support in the form of Corporate Guarantee from Group Company, progress made in project implementation (operations at Buxar unit expected to begin operations over the next 2 months), entitlement to Govt. Subsidy for the project funding and low gearing of the Company due to good net worth. The rating, however, is constrained by relatively small scale of operations, as reflected in their current turnover and low profitability margins. The Company has stretched working capital cycle due to high inventory levels owing to seasonal procurement of raw materials (agri-based).

BWR has principally relied upon the audited financial results up to FY12, provisional financials of FY13 & projections of FY 14 of Amrapali Biotech India Pvt Ltd., and clarification provided by the Company management.

Background

Amrapali Biotech India Pvt Ltd was established in Ghaziabad as a private limited company in Sep 2007. ABIPL is an associate company of the Amrapali Group of Delhi. The Company is majorly into the business of manufacturing of FMCG products such as corn flakes, jams, pickles, sauces and vinegar, under the brand name: "Mums'. The products are sold through food and retail marts. As of March 31, 2013, Corn flakes constituted approximately 25% of their total sales. With the setting up of Corn manufacturing and processing units at Buxar, Company expects to increase this share of Cornflakes in the total product portfolio to 65% by the end of 2014. The Company has set up branches in Karnataka, Bihar, Mumbai and A.P. for the purpose of marketing and sale of their products.

¹ Please refer to BWR website www.brickworkratings.com/ for definition of the Rating

The promoter group 'Amrapali' was founded by Mr. Madan Mohan Sharma in 1990. The Group is a well known real estate group based in Delhi and has executed many high quality residential and commercial projects in Delhi, NCR and other North Indian locations. Over the last three years (upto FY12), their flagship company Ultra Home Constructions Pvt Ltd., had an average annual turnover of ₹ 946 crores, with Net Worth exceeding ₹ 1000 crores.

Shareholding Pattern and Management

As of March 31, 2013, Ultra Homes Construction Pvt Ltd held 66.00% stake in the Company, followed by Rinku Computech Pvt Ltd (31.92%).The Directors Smt. Sunita Kumari and Smt. Seema Kumari held 2%.

Smt. Sunita Kumari, one of the founders of the Company is M.A. by qualification and has experience of more than 5 years in the field of FMCG Industry. Smt. Seema Kumari is a B.A. Graduate by qualification and has experience of more than 5 years in FMCG Industry. She is responsible for purchase and quality department of the project and has an expertise in handling of labor works.

Mr. Sanjeev Kumar Singh is the Chief Executive Officer at Amrapali Biotech India Pvt. Ltd. He holds a post-graduate degree in Chemistry, and has over 19 years of diversified experience. He is with Amrapali Biotech India Pvt Ltd since 5 years, and prior to that worked in Velvet International and Dabur India Ltd. Though all the directors are taking active participation in day to day activities of the company, the overall guidance and vision comes from Mr. Anil Sharma, Chairman and Managing Director of Amrapali Group.

Plant and its Funding Details

Currently the Company has one fully operational factory at Rajgir, Bihar, which started commercial production in August, 2012. This unit, with annual production capacity of 8,000 MT was set up at a total project cost of ₹ 17 Crores.

The Company is now in the process of setting up two new units at Buxar, Bihar, for which work is going on since August 2012. One unit would be for manufacture of Cornflakes and the other would be a Corn grit unit for the purpose of corn maize processing. The plant is expected to get fully operational by end of June 2013.

The total cost of the project was estimated at ₹ 35.75 Crores, to be funded to the extent of ₹ 20 Crores from the Term Loan sanctioned by OBC , followed by ₹ 10 Crores from Bihar Govt. as subsidy and the balance ₹ 5.75 Crores from the promoters. Out of ₹ 20 Crores sanctioned by OBC, approximately ₹ 7.10 Crores has already been disbursed and out of ₹ 10.00 Crores of subsidies, Govt. has already provided ₹ 4.74 Crores. Additionally, out of ₹ 5.75 Crores, the promoter has already contributed ₹ 3 Crores till date from the internal cash accruals of the Company.

Financial Performance

The revenue from operations increased from ₹ 4.29 Crores in FY11 to ₹ 7.18 Crores in FY 12. However, the Profit after tax increased was flat at ₹ 0.03 Crores in FY12. The Company's EBITDA and EBIT margins stood at 7.5% and 5.9% respectively in FY12. The Company's tangible net worth stood at ₹ 14.07 Crores and total borrowings were at ₹ 7.98 Crores in FY12, hence, gearing was low at 0.60 times. As reflected in the high inventory of the Company at ₹ 6.15 Crores in FY12, the cash conversion cycle is quite stretched. The main constituent of their inventory is raw materials, which the Company procures from farmers during peak season and stocks it for use throughout the year.

According to the provisional figures for March 31, 2013 as provided by the Company, the reported turnover stood at ₹ 11.03 Crores and net worth at approximately ₹ 25.70 Crores, which included additional capital infusion of ₹ 6.24 Crores in FY13. However, the financial performance of the Company would be reassessed once the Buxar unit gets fully operational and the Company starts generating revenue from it.

Rating Outlook

Support from the Group Company and modest gearing are the key positives for the Company. However, completion of the ongoing projects on time, successful commercial production with required quality and scaling up significant top-line growth in FY14 in tune with projections - would be the key rating sensitivities.

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

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