

Rating Rationale

Brickwork Ratings assigns 'BWR BBB-(SO)' and 'BWR A3' for the Bank Facilities amounting to ₹ 24 Cr of Ankur Roller Flour Mills Pvt. Ltd.

Brickwork Ratings assigns the following **Ratings**¹ for Ankur Roller Flour Mills Pvt. Ltd.'s Bank Loan Facilities amounting ₹ 24 Cr.

| Facility | Limit (₹ Cr) | Tenure | Rating |
|--------------------------------|--------------|-----------------------------|----------------------------------------------------------------------------------------------------|
| Fund Based - Cash Credit | 12.00 | Long Term | BWR BBB-(SO) [BWR Triple B Minus(Structured Obligation)] (Outlook: Stable) |
| Non Fund Based - Buyers Credit | 12.00 | Short Term | BWR A3 (BWR A Three) |
| Total | 24.00 | INR Twenty Four Crores only | |

BWR has relied on FY13 provisional financials and the audited financials for FY12, projected financials for FY14 & FY15, publicly available information, and the information & clarifications provided by the management of ARFM.

The Rating factors, inter alia, the extensive experience of the promoters in the pulses and grains industry, well recognised brand name, established sales arrangements with reputed customers, and established brand name in the Indian pulses & whole grains industry. The suffix SO indicates that the rating is influenced by the corporate guarantee provided by the group company Hitech Grain Processing Pvt. Ltd. (HGPPPL) for the entire debt facilities of ₹24 Cr.

The rating is however constrained by low profit margin, competition from players in the unorganized market and working capital intensive nature of the food processing industry.

Background:

Ankur Roller Flour Mills Pvt. Ltd (ARFM) is a privately held company incorporated in 2004 having its corporate office at New Delhi and its manufacturing plant at Food Park, HSIIDC, Industrial Estate Rai, Sonapat, Haryana spread across an area of 1 acre. The company is in the business of manufacturing and processing of pulses and other food products. Hitech Grain Processing Pvt. Ltd, also engaged in similar line of activity with slightly different product line and business strategy, is the flagship company of the group. This company is an ISO 22000-

¹ Please refer to www.brickworkratings.com for definition of the Ratings

2005(HACCP) Certified Company, and is a leading supplier of quality pulses in the Delhi NCR Region. In FY13, HGGPL reported total income of ₹345 Cr. with PAT of ₹3.68 Cr.

ARFM started commercial production in April 2011. The plant is about 95% automated and negligible human involvement is present in the entire process of manufacturing & processing. The Company has received ISO 22001 certification from Intertech. ISO 22001/HACCP specifies requirements for a food safety management system where an organization needs to demonstrate its ability to control food safety hazards in order to ensure that food is safe at the time of human consumption. To ensure quality products, ARFM has modern equipments at its plant including Roto Separator, Pre Cleaner, De Stoner etc. and sophisticated machines like Color Sortex, Automatic FFS Packing machine with inbuilt printer, Fine Cleaner etc.

Important products of ARFM are Premium Gram Lentil (Chana Dal), Chick Pea (Chana), Brown Chick Peas (Kala Chana) and Pigeon Peas (Tuar Dal). ARFM mainly sources its raw materials from Traders, mandis, and Farmers with a small quantity coming from imports. All raw materials are subject to chemical and physical testing. The products are processed to remove all impurities while retaining the nutritional values and no artificial color is added in the entire manufacturing process. ARFM utilizes HGGPL's extensive sourcing and marketing arrangements in North India for its selling and distribution network.

Financial Performance:

In FY13 (Provisional), ARFM reported ₹117.29 Cr. of revenues with PAT of ₹91 lacs which is a 63.8% increase over FY12 revenues of ₹71.58 Cr. and PAT of ₹42 lacs. FY13 Net Worth is at ₹13.50 Cr, which includes promoter's infusion of ₹4.08 Cr. as subordinated Unsecured Loan. In FY13, Total short term borrowings were at ₹11.36 Cr. and there are no term loans to be serviced. Total Debt: Equity ratio was low at 0.84. Inventory and Receivables levels were commensurate with increasing level of activity.

Rating Outlook:

The ability of the Company to improve its capacity utilization and register higher turnover with improved profitability will be the key rating sensitivities.

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

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

Annexure I: ARFM Balance Sheet

₹ Crore

| Particulars | FY12 (Audited) | FY13 (Prov.) |
|-------------------------------------------|---------------------------|-------------------------|
| EQUITY AND LIABILITIES | 8.06 | 13.50 |
| Share capital | 0.25 | 0.40 |
| Share Application money Pending allotment | 4.27 | 0.75 |
| Reserves and Surplus | 3.53 | 8.27 |
| Unsecured Loans from Promoters | - | 4.08 |
| Non-current liabilities | 1.88 | 0.55 |
| Long-Term Borrowings | 1.69 | - |
| Deferred tax Liabilities (Net) | 0.19 | 0.55 |
| Current liabilities | 6.50 | 18.13 |
| Short-Term Borrowings | 4.98 | 11.36 |
| Trade Payables | 1.42 | 6.63 |
| Other Current Liabilities | 0.06 | 0.05 |
| Short-Term Provisions | 0.03 | 0.08 |
| Total Liabilities | 16.44 | 32.18 |
| ASSETS | | |
| Non-current assets | 8.68 | 8.70 |
| Long Term Loans and Advances | 0.02 | 0.02 |
| Current Assets | 7.76 | 23.48 |
| Current Investments | - | - |
| Inventories | 3.27 | 14.18 |
| Trade Receivables < Six Months | 3.10 | 6.62 |
| Cash and Cash Equivalents | 1.37 | 2.65 |
| Short-Term Loans and Advances | 0.02 | 0.03 |
| Other Current Assets | - | - |
| Total Assets | 16.44 | 32.18 |

Annexure II: ARFM P&L

| Particulars | ₹ Crore | |
|-----------------------------------------------------------------|----------------|---------------|
| | FY12 | FY13 |
| Result Type | Audited | Prov. |
| Gross Sales | 71.58 | 117.29 |
| Other Operating Income | 0.25 | 0.58 |
| Total Operating Income | 71.83 | 117.87 |
| Raw Material Consumed | 71.98 | 116.73 |
| Change In Inventory (Increase)/Decrease | -2.49 | -2.79 |
| Power and Fuel Expenses | 0.32 | 0.40 |
| Employee Cost | 0.14 | 0.21 |
| Manufacturing Expenses | 0.00 | 0.05 |
| Cost of Goods Sold | 69.96 | 114.60 |
| Selling, General and other Administrative expenses | 0.29 | 0.43 |
| Operating Expenses | 70.25 | 115.02 |
| Operating Profit Before Depreciation, Interest and Taxes | 1.58 | 2.84 |
| Depreciation/Amortization/Impairment | 0.27 | 0.32 |
| Operating Profit Before Interest and Tax | 1.32 | 2.53 |
| Interest and Finance Charges | 0.49 | 1.03 |
| Operating Profit Before Tax | 0.83 | 1.5 |
| Non-Operating Income(Expenses) | -0.08 | 0.07 |
| Profit Before Tax | 0.75 | 1.58 |
| Provision for Taxes | 0.33 | 0.66 |
| Profit After Tax | 0.42 | 0.91 |

Note:

- (i) ARFM started commercial production in April 2011.
- (ii) ARFM has given an undertaking which states that the provisional FY 13 numbers are in the process of being audited and that there may be a maximum of 5 % variation in the provisional numbers provided here.