

## Rating Report

### Brickwork Ratings revises rating to 'BWR BBB-' & reaffirms 'BWR A3' for the Bank Loan Facilities aggregating ₹ 30 Cr of Ankur Roller Flour Mills Pvt. Ltd.

On an annual review, Brickwork Ratings (BWR) has revised/reaffirmed the following **Ratings<sup>1</sup>** for the Bank Loan Facilities of **Ankur Roller Flour Mills Private Limited (ARFMPL or 'the Company')**

Facility	Limits ( Cr)		Tenure	Rating	Rating History
	Previous	Present			
<b>Fund Based</b>	12.00	14.00	<b>Long Term</b>	<b>BWR BBB-</b> (Pronounced BWR Triple B Minus)  <b>Outlook: Stable</b> (Revised)	<b>BWR BBB- (SO)</b> [Pronounced BWR Triple B Minus (Structured Obligation)]  <b>Outlook: Stable</b> (June 2013)
<b>Non-Fund Based</b>	12.00	16.00	<b>Short Term</b>	<b>BWR A3</b> (Pronounced BWR A Three) (Reaffirmed)	<b>BWR A3</b> (Pronounced BWR A Three) (June 2013)
<b>Total</b>	₹ 24.00	<b>₹30.00</b>	<b>INR Thirty Crores only</b>		

Previous Rating: BWR BBB- (SO)/ BWR A3 in June, 2013

Details of the bank facilities is as per Annexure-I

BWR has principally relied upon the audited financial result of the Company up to FY13, provisional financials for FY14, projected financials for FY15, publicly available information and information/clarifications provided by the company's management and feedback received from the Bank.

The rating has factored, inter alia, the extensive experience of the promoters in the pulses industry, strength it derives from the group company due to its long existence in the same line of business, growth in revenue, established supply chain and customer channels, moderate gearing level, moderate debt protection metrics and infusion of additional equity into the business by the promoters. The rating is, however, constrained by the low profit margins, competition from

<sup>1</sup> Please refer to [www.brickworkratings.com](http://www.brickworkratings.com) for definition of the Ratings

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players in the unorganized sector, working capital intensive nature of the business and exposure to foreign exchange risk.

**Background:**

Ankur Roller Flour Mills is a privately held company incorporated in 2004 having its corporate office at New Delhi. The company is in the business of Pulses Processing and its operations started in FY12. The promoters are Mr. Vipul Mittal and Mr. Kapil Mittal, who are also part of the management team in Hitech Grain Processing Private Limited, a company engaged in similar line of activity, but much larger. ARFMPL's manufacturing plant is located at HSIIDC, Haryana, and it processes and manufactures all varieties of pulses mainly dals including Chana Dal, Chana: Kabuli Chana & Kala Chana, Rajma, Tur Dal etc. Other than pulses there are by-products and secondary pulses also.

**Management Details:**

Mr. Vipul Mittal, Mr. Kapil Mittal and their family holds 100% shares of ARFMPL. Mr. Vipul Mittal is the Managing Director & Chief Executive Officer and Mr. Kapil Mittal is the Director & Chief Operating Officer of the Company. There are adequate number of technical and administrative staff, skilled and unskilled workers available at operational level.

**Business Highlights:**

ARFMPL is having its production facility at 573, Food Park, HSIIDC Industrial Estate, Haryana for processing of different pulses like dals, channa, rajmas, etc. It is selling the products in the brand name of Ankur. It is also doing job work for other customers. The raw materials are procured from mandis through Aarthis and also imported from countries like Tanzania, Austria, China, Indonesia, Brazil, South Africa, Canada, UAE etc. through its overseas suppliers. For FY14, its 99% of sales came from the wholesale business and the remaining through sales to big retailers. The Company have good relationship with about 50 stokists in India through which it markets their products to states like Punjab, UP, Delhi-NCR, J&K, Bihar, Maharashtra, Madhya Pradesh, etc. It has its own in-house laboratory to heck & test all the raw materials and finished products for their chemical compositions and quality. It has received various certification for safety and quality standards.

**Financial Performance:**

As per the audited financial statements for FY13, the Company reported a Total Operating Income of ₹ 117.87 Crores with a Net profit of ₹ 0.94 Crores against a Total Operating Income of ₹ 71.83 Crores with a Net profit of ₹ 0.42 Crores for FY12. Total Operating Income has increased by 64.09% in FY13. The Net Profit Margin improved from 0.58% in FY12 to 0.80% in FY13. Tangible Net worth of the Company increased from ₹ 8.06 Crores in FY12 to ₹ 9.45 Crores in FY13 due to infusion of additional capital of ₹ 0.15 Crores in FY13 and retention of profits. Debt-to-Equity is 1.63 times and Current Ratio at 1.38 times in FY13. In FY13, the unsecured loans from promoters amounted ₹ 4.08 Crores which as per the Company was converted to equity in FY14.

As per provisional results up to 31<sup>st</sup> March 2014, the company has reported Total Operating Income of ₹ 147.02 crores with a Net Profit of ₹ 1.28 crores.

Key performance /financial indicators have been shown in the Annexures II, III & IV.

### **Key Rating Determinants:**

**Management/promoter Experience:** The extensive industry experience of the promoters and the management ensures the long term sustainability and stability of the business.

**Group Strength:** Long presence of group company HGPPL in the same industry continues to provide strength in terms of sourcing and customer base. The ability of the Promoters to infuse capital is also a strength.

**Operation Risk:** The Company has well established supply chain and customer channels. The installed capacity is 120,000 MTPA considering three shifts per day. The unit is currently operating in two shifts with production of around 48,300 MTPA in FY14. The plant is about 95% automated with only the loading/unloading of raw materials at the plant done manually.

**Financial Risk:** In FY13, Operating Income has increased by ~64% and in FY14 (Provisional) it has increased by ~24% compared to the respective previous years. For FY14 (provisional) the debt protection metrics is moderate in terms of ISCR of 1.46 times and moderate gearing level of 0.82 times. However, the profit margins are low but has improved in FY14 compared to the last two financial years. It is a working capital intensive business and has foreign exchange risk.

### **Rating Outlook:**

The Company is expected to continue to show improving performance over the next one year. The rating is however, sensitive to the audited results of the Company for FY14 being in line with the provisional results shared with us. The Company's ability to effectively manage input costs, mitigate forex fluctuation risks with appropriate covers, improve margins and manage its working capital efficiently would be crucial to its performance and are also the key rating sensitivities.

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**Ankur Roller Flour Mills Private Limited**  
**Annexure I: Details of the bank facilities rated**

Nature of Facilities	Bank: State Bank of Bikaner and Jaipur	( ₹Cr)		
		Sanctioned Limits	Outstanding (as on date)	Amount Rated
<b>Fund Based Limits</b>				
Cash Credit		14.00	11.15	14.00
<b>Non-fund Based Limits</b>				
Letter of Credit		16.00	13.00	16.00
<b>Total</b>	<b>₹30.00 Cr</b>	<b>Rupees Thirty Crores Only</b>		

**Annexure II: Profit & Loss Statement**

P & L Summary ( ₹Cr)	FY12 (A)	FY13 (A)
Gross Sales	71.58	117.29
<b>Net Sales</b>	<b>71.58</b>	<b>117.29</b>
Other Operating Income	0.25	0.58
<b>Total Operating Income</b>	<b>71.83</b>	<b>117.87</b>
<b>Operating Expenses</b>	<b>70.25</b>	<b>115.02</b>
<b>OPBDIT</b>	<b>1.58</b>	<b>2.85</b>
Depreciation/Amortization/Impairment	0.27	0.32
<b>OPBIT</b>	<b>1.31</b>	<b>2.53</b>
Interest and Finance Charges	0.61	1.05
<b>OPBT</b>	<b>0.70</b>	<b>1.48</b>
Non-Operating Income(Expenses)	0.05	0.13
<b>PBT</b>	<b>0.75</b>	<b>1.61</b>
Provision for Taxes	0.33	0.67
<b>PAT</b>	<b>0.42</b>	<b>0.94</b>

**Ankur Roller Flour Mills Private Limited**  
**Annexure-III: Balance Sheet**

Liabilities ( ₹Cr)	FY11 (A)	FY12 (A)	FY13 (A)
<b>Equity And Reserves</b>	<b>4.07</b>	<b>8.06</b>	<b>9.45</b>
Share capital	0.09	0.25	0.40
Share Application money Pending allotment	3.98	4.27	0.75
Share Premium	0.00	3.12	6.94
Credit (Debit) balance of P & L account	0.00	0.42	1.36
<b>Non-current Liabilities</b>	<b>2.75</b>	<b>2.93</b>	<b>5.69</b>
Long-Term Borrowings	2.75	2.74	5.14
Deferred tax Liabilities (Net)	0.00	0.19	0.55
<b>Current Liabilities</b>	<b>1.16</b>	<b>5.45</b>	<b>17.07</b>
Short-Term Borrowings	0.00	3.93	10.30
Trade Payables	0.00	1.42	6.63
Other Current Liabilities	1.16	0.07	0.05
Short-Term Provisions	0.00	0.03	0.09
<b>Total Liabilities</b>	<b>7.98</b>	<b>16.44</b>	<b>32.21</b>
Assets ( ₹Cr)	FY11 (A)	FY12 (A)	FY13 (A)
<b>Non-current assets</b>	<b>7.78</b>	<b>8.68</b>	<b>8.70</b>
Net Fixed assets	1.35	8.66	8.68
Capital Work-In-Progress	6.41	0.00	0.00
Non-Current Investments	0.00	0.00	0.00
Long Term Loans and Advances	0.02	0.02	0.02
<b>Current assets</b>	<b>0.20</b>	<b>7.76</b>	<b>23.51</b>
Inventories	0.00	3.27	14.18
Trade Receivables < Six Months	0.00	3.10	6.62
Cash and Cash Equivalents	0.20	1.37	2.65
Short-Term Loans and Advances	0.00	0.02	0.06
<b>Total Assets</b>	<b>7.98</b>	<b>16.44</b>	<b>32.21</b>

### **Annexure-IV: Key Financial Ratios**

<b>Ratios</b>	<b>FY11 (A)</b>	<b>FY12 (A)</b>	<b>FY13 (A)</b>
Debt: Equity (times)	0.68	0.83	1.63
ISCR (times)	-	2.58	2.70
DSCR (times)	-	1.29	1.60
Operating Margin (%)	-	2.20	2.41
Net Profit Margin (%)	-	0.58	0.80
ROCE (%)	-	12.12	12.53
Current Ratio (times)	0.17	1.42	1.38
Days Payable (days)	-	4	12
Days Receivable (days)	-	8	15
Days Inventory (days)	-	9	28
Cash Conversion Cycle (days)	-	13	31