

Rating Report

Brickwork Ratings assigns 'BWR B' (Outlook: Stable) for the Bank Loan facilities aggregating to ₹ 6.53 Cr of A S Rice Industries

Brickwork Ratings (BWR) has assigned **Ratings**¹ for the Bank Loan facilities amounting to ₹ 6.53 Cr of **A S Rice Industries** ('ASRI' or 'the Firm') availed from State Bank of Mysore as follows:

Facilities	Amount (₹ Cr)	Tenure	Rating
Fund Based		Long Term	BWR B (Pronounced BWR B) (Outlook: Stable)
Term Loan (New)	1.50		
Term Loan (Old)	0.43		
Cash Credit	4.00		
Stand By Line of Credit	0.60		
Total	6.53	INR Six Crores and Fifty Three Lakhs Only	

BWR has essentially relied upon the audited financial results of FY13, FY14, FY15, provisional financial result of FY16 and projections of FY17 and FY18 of A S Rice Industries, publicly available information and information/clarifications provided by the Firm's management.

The rating takes into account the partners' experience in rice milling industry, established relationship with suppliers and customers, proximity of the mill to rice growing area which results in easy availability of paddy and favorable demand prospects for rice industry, with rice being a staple food in South India.

The rating, however, is constrained by declined revenue for FY16, low profitability margins, stretched conversion cycle on account of increased inventory holding period, inherent risk in the constitution of firm, exposure of rice mills to regulatory and agro-climatic risks and highly fragmented and intensely competitive industry.

Background:

A S Rice Industries, established in 2011, is a partnership firm engaged in paddy milling and trading of Parboiled rice. The partners of the firm are Mr. K Mohammed Nasrulla, his younger son Mr. N Faheemulla and Ms. Hajira Begum (Wife of Mr. N Faheemulla). It is located in T Narasipur Taluk in Mysore, Karnataka. The firm's rice processing unit is spread across ~8400 SqFt, with an installed capacity of 5TPH (Tons Per Hour) of Paddy. Currently, it is utilizing about 80% of the installed capacity. Major rice varieties processed by the firm are Jaya, Purva and Jyoti, which are sold under own brand name of 'A S Premium' and 'Rice Pure'. Firm also sells its by-products like bran and broken rice.

¹ Please refer to BWR website www.brickworkratings.com for definition of the ratings assigned

Management:

Mr. N Faheemulla is a commerce graduate and has more than a decade of experience in rice milling industry. He is the Managing Partner of the firm and looks after the daily activities of firm's operations. Mr. K Mohammed Nasrulla had been involved in paddy milling and rice trading business since last five decades. He had a proprietorship concern called M N Agro Industries at T Narsipura Taluk which he, subsequently, converted into a partnership firm in 2011 by inducting his elder son Mr. N Mohammed Naemulla and his wife Ms. Nazia Noor.

Financial Performance:

As per audited financials of FY15, net revenue from operations of the firm has increased from ₹ 12.22 Cr in FY14 to ₹ 20.15 Cr in FY15. The operating profit margin has decreased from 7.40% in FY14 to 4.69% in FY15, however, the net profit margin has increased from 1.00% in FY14 to 1.34% in FY15. As per FY16 provisional financial, the Company has achieved a profit of ₹ 0.06 Cr on revenues of ₹ 16.06 Cr.

The tangible networth of the firm has declined from ₹ 3.06 Cr in FY15 to ₹ 2.84 Cr in FY16. Total outside liability to tangible networth has increased from 1.41 times in FY15 to 1.52 times in FY16. Due to working capital intensive nature of business and to counteract the agro-climatic risk, the firm is maintaining high inventory. It has increased from less than 2 months in FY15 to nearly 3 months in FY16 resulting in stretched cash conversion cycle. The Bankers have informed that the account is standard and conduct of account is satisfactory.

Rating Outlook:

Going forward, the ability of the firm to improve its profitability, while scaling up operations and managing its working capital requirements efficiently, would be the key rating sensitivities.

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A S Rice Industries - BLR – ₹ 6.53 Cr
Profit and Loss

Profit and Loss Account			
Crores	FY13	FY14	FY15
Result Type	Audited	Audited	Audited
Net Sales	1.09	12.22	20.15
Other Operating Income	0.08	0.00	0.00
Total Operating Income	1.17	12.22	20.15
Raw Material Consumed	0.63	10.46	17.69
Power and Fuel Expenses	0.03	0.23	0.39
Employee Cost	0.01	0.16	0.20
Manufacturing Expenses	0.04	0.02	0.01
Cost of Goods Sold	0.72	10.87	18.29
Selling, General and other Administrative expenses	0.17	0.45	0.91
Operating Expenses	0.90	11.32	19.21
OPBDIT	0.27	0.91	0.95
Depreciation/Amortization/Impairment	0.19	0.43	0.39
OPBIT	0.08	0.48	0.55
Interest and Finance Charges	0.24	0.36	0.29
OPBT	-0.16	0.12	0.27
Provision for Taxes	0.00	0.00	0.00
PAT	-0.16	0.12	0.27

A S Rice Industries - BLR – ₹ 6.53 Cr
Balance Sheet

Balance Sheet			
Crores	FY13	FY14	FY15
Result Type	Audited	Audited	Audited
Liabilities			
Capital Account	1.53	1.90	3.06
Partner's Capital	1.53	1.78	2.79
Profit & Loss	-0.16	0.12	0.27
Non-current liabilities	1.77	1.38	1.02
Long-Term Borrowings	1.77	1.38	1.02
Current liabilities	2.30	2.37	3.28
Short-Term Borrowings	1.93	1.82	2.71
Trade Payables	0.38	0.55	0.57
Total Liabilities	5.59	5.64	7.35
ASSETS			
Non-current assets	2.41	2.64	2.25
Net Fixed assets	2.41	2.64	2.25
Current assets	3.19	3.00	5.11
Inventories	2.53	1.17	3.09
Trade Receivables < Six Months	0.55	1.44	1.79
Cash and Cash Equivalents	0.01	0.26	0.04
Short-Term Loans and Advances	0.10	0.13	0.18
Total Assets	5.59	5.64	7.35