

Ashutosh Chawal Udyog

March 30, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	31.00	CARE B+; Stable; ISSUER NOT COOPERATING* (Single B Plus; Outlook: Stable ISSUER NOT COOPERATING*)	Revised from CARE BB-; Stable (Double B Minus; Outlook: Stable) and moved to ISSUER NOT COOPERATING category
Total Bank Facilities	31.00 (Rs. Thirty-One Crore Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information vide e-mail communications/letters dated January 25, 2022, February 4, 2022, and March 05, 2022, March 09, 2022 and numerous phone calls. However, despite our repeated requests, the firm has not provided the requisite information for monitoring the ratings including NDS for the month ended February 2022. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The rating on Ashutosh Chawal Udyog (ACU) bank facilities will now be denoted as CARE B+; ISSUER NOT COOPERATING*.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The revision in the ratings assigned to the bank facilities of ACU is on account of non-availability of requisite information due to non-cooperation with CARE's efforts to undertake a review of the outstanding ratings.

Detailed description of the key rating drivers

At the time of last rating on March 31, 2021, the following were the rating strengths and weaknesses:

Key Rating Weaknesses

Modest scale of operations with moderate profitability margins

The scale of operation of the firm stood modest with Total Operating Income (TOI) of Rs.70.32 crore, declined by 23.48% in FY20 over FY19 mainly due to lower sale realization and closer of unit for 12 days in March 2020 due to COVID-19. Further, the profitability of ACU remained moderate with PBILDT margin and PAT margin of 4.14% and 0.66% respectively in FY20. PBILDT margin of the firm has improved by 65 bps in FY20 over FY19 owing to decrease in cost of traded goods. Further, due to increase in PBILDT margin, PAT margin has also improved marginally although remained in line at 0.66% as against 0.62% owing to higher interest costs. However, GCA level of the firm has declined by 10.50% in FY20 and stood at Rs.1.28 crore. Operating cycle of firm stood elongated at 154 days in FY20 increased from 93 days in FY19 owing to increase in average inventory period. Further, it has utilized almost full of its working capital bank borrowings during past twelve months ended February 28, 2021.

Weak solvency position

The capital structure stood leveraged marked by overall gearing of 3.94 times as on March 31, 2020 although improved from 4.51 times as on March 31, 2019 mainly due to increase in net worth base owing to accretion of profit to reserve and schedule repayment of term loan which offset by increase in unsecured loans. Further, the debt coverage indicators also stood weak marked by total debt to GCA of 21.67 times as on March 31, 2020 deteriorated from 19.54 times as on March 31, 2019 mainly due to higher total debt and decline in GCA level. Further, interest coverage also stood moderate and remained stable at 1.79 times in FY20 (1.80 times in FY19).

Fragmented nature of industry and low entry barriers

The rice milling business requires limited quantum of investment in machinery, however, has high working capital needs. Further, rice milling is not very technology intensive and as a consequence the industry is highly fragmented with large number of players operating in the organized and unorganized segments. The high level of competition has ensured limiting bargaining power, as a consequence of which rice mills are operating at low to moderate profitability margins

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Key Rating Strengths

Experienced management

The overall affairs of the firm are managed by Mr. Satya Narayan Jajoo and Mr. Narendra Jajoo. Further, Mr. S.N. Jajoo has more than two decades of work experience in the industry and looks after sales & marketing and finance function of the firm. Mr. Narendra Jajoo has more than 15 years of work experience in the industry and looks after production function of the firm.

Established track record of operations and proximity to paddy growing region

Being present in the industry since last three decades, ACU has established its relationship with its customers. The firm mainly sells basmati rice in domestic market mainly in Rajasthan, Madhya Pradesh, Gujarat, Maharashtra and Delhi. It also sells basmati rice to export houses who subsequently export to other countries. Further, the rice mill of the firm is located in Bundi which falls in Chambal Command Area of Rajasthan and Madhya Pradesh. Hence, its presence in this area ensures easy raw material access and smooth supply of raw materials at competitive prices and lower logistic and storage cost.

Impact of COVID19

In view of the national lockdown imposed by the government to contain the spread of virus, the plant operations of the firm were closed from March 20, 2020 and resumed from May 01, 2020. Further, till March 17, 2021 it has registered TOI of Rs.80.52 crore.

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Rating Outlook and Credit Watch](#)

[Manufacturing Companies](#)

About the Firm

Bundi (Rajasthan) based ACU was formed in 1981 as a proprietorship concern by Mr. Chouthmal Maheshwari for carrying out the business of trading and processing of paddy to produce rice. However, due to death of the proprietor in February 2013, the constitution of the firm was changed to partnership. Currently, there are four partners in the firm viz. Mr. Vijendra Kumar Maheshwari, Mr. Satya Narayan Jajoo, Mr. Chetanya Kumar Jajoo and Mr. Narendra Kumar Jajoo sharing profit and loss equally. Its rice mill is located in Bundi and spread across 2623 sq. meter area with installed capacity of 8 Ton Per Hour (TPH). The firm sells rice under the brand name of 'Double Katar' and 'Basant Bahar'. Further, the firm also sells by-products of rice viz. husk and rice bran.

Brief Financials (Rs. crore)	31-03-2019 (A)	31-03-2020 (A)	FY21 (A)	9MFY22 (Prov.)
Total operating income	91.90	70.32	NA	NA
PBILDT	3.21	2.91	NA	NA
PAT	0.57	0.46	NA	NA
Overall gearing (times)	4.51	3.94	NA	NA
Interest coverage (times)	1.80	1.79	NA	NA

A: Audited, NA: Prov.: Provisional; Not Available

Status of non-cooperation with previous CRA: None

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this Firm: Annexure 4

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	11.00	CARE B+; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Working Capital Limits		-	-	-	20.00	CARE B+; Stable; ISSUER NOT COOPERATING*

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings		Rating history				
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Cash Credit	LT	11.00	CARE B+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable (31-Mar-21) 2)CARE BB-; Stable (03-Jul-20) 3)CARE BB-; Stable; ISSUER NOT COOPERATING* (03-Apr-20)	-	1)CARE BB-; Stable (04-Mar-19)
2	Fund-based - LT-Term Loan	LT	-	-	-	1)Withdrawn (31-Mar-21) 2)CARE BB-; Stable (03-Jul-20) 3)CARE BB-; Stable; ISSUER NOT COOPERATING* (03-Apr-20)	-	1)CARE BB-; Stable (04-Mar-19)
3	Fund-based - LT-Working Capital Limits	LT	20.00	CARE B+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable (31-Mar-21) 2)CARE BB-; Stable (03-Jul-20) 3)CARE BB-; Stable; ISSUER NOT COOPERATING* (03-Apr-20)	-	1)CARE BB-; Stable (04-Mar-19)

* Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not Applicable**Annexure 4: Complexity level of various instruments rated for this Firm**

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Working Capital Limits	Simple

Annexure 5: Bank Lender Details for this FirmTo view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instrument: CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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