

Akshat Agro Milling Company Private Limited

September 11, 2019

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities (Term Loan)	10.00	CARE BB; ISSUER NOT COOPERATING* (Double B; ISSUER NOT COOPERATING*)	Revised from CARE BB+; Stable on the basis of best available information.
Long term Bank Facilities (Cash Credit)	20.00	CARE BB; ISSUER NOT COOPERATING* (Double B; ISSUER NOT COOPERATING*)	Revised from CARE BB+; Stable on the basis of best available information.
Total	30.00 (Rs. Thirty crore only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated March 30, 2018, placed the rating(s) of Akshat Agro Milling Company Private Limited (AAMCPL) under the 'issuer non-cooperating' category as AAMCPL had failed to provide information for monitoring of the rating. AAMCPL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and a emails dated July 8, 2019, July 9, 2019, July 11, 2019, August 2, 2019 and August 5, 2019. 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.

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 rating has been revised by taking into account non-availability of information and no due-diligence conducted due to non-cooperation by Akshat Agro Milling Company Private Limited (AAMCPL) with CARE's efforts to undertake a review of the rating outstanding. CARE views information on availability risk as a key factor in its assessment of credit risk.

At the time of last rating on March 30, 2018 the following were the rating weaknesses and strengths (updated the information available from Registrar of Companies).

Detailed description of the key rating drivers

Key Rating Weaknesses

Low profitability owing to limited product differentiation & highly fragmented & competitive nature of the industry:

As the initial capital expenditure is low, milling industry is replete with a large number of organized & unorganized players. Further, there is limited product differentiation with respect to the end product. As a result of the above factors profit margins in the industry remain low due to inherent pricing pressure. During FY18 PBILDT & PAT margins for AAMCPL remained low at 3.23% (PY:2.91%) & 0.45% (PY:0.29%) respectively.

Susceptibility to volatility in the prices of raw material:

The business of AAMCPL is dependent on the availability of its raw material (wheat) which is an agro-based product. The prices of wheat are influenced by the supply scenario which is susceptible to the various agro-climatic conditions. Hence, any deterioration in crop availability due to lower yield, lower acreage, etc. Increase in minimum support price may increase the prices of wheat resulting into higher cost of raw materials for the company thereby adversely impacting the profitability margins of the company. However, the government continues to regulate the price of wheat through various restrictions and wheat procurement policies for maintenance of buffer stocks so as to enable adequate availability of wheat at a reasonable price.

Working capital intensive nature of operations:

AAMCPL's collection period for FY18 stood at 28 days, along with inventory turnover period of 45 days & creditor period of 14 days resulting in an operating cycle of 58 days. Thus, AAMCPL has to rely on working capital borrowings to fund its working capital requirements. Inventory reduced to Rs.21.31 cr at the end of FY18 from Rs.23.08 cr as the company decreased its raw material inventory.

²Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

*Issuer did not cooperate; Based on best available information

Key Rating Strengths

Long track record of promoters in flour milling business and experienced management team:

Akshat Agro Milling Company Private Limited (AAMCPL) was incorporated in October 2008 by Mr. Vijay Kumar Gupta (Managing Director) as Sunlight Vincom Private Limited; later in September 2011 the name of the company was changed to the present one. Mr. Gupta has vast experience of 20 years in the field of milling and food processing business. Before setting-up of AAMCPL, he had been involved in the wheat processing business under the name of Simran food product private limited (SFPPPL) which was established the year 1998 with an installed capacity of 80000 Metric Tonnes Per Annum (MTPA) and Akshat Roller Flour Mill Private Limited (ARFMPL) which was established in 2002 having installed capacity of 150000 MTPA. The management is supported by well qualified professionals heading various verticals with adequate and relevant experience in their respective fields.

Moderate financial risk profile:

TOI during FY18 increased to Rs.189.28cr (PY:Rs. 181.68cr) due to increased demand. With PBILDT & PAT of Rs.6.12cr & Rs.0.85cr respectively, PBILDT & PAT margins remained low at 3.23% (PY: 2.91%) & 0.45% (PY:0.29%) respectively. Overall gearing remained high at 2.45x(PY: 2.28x) on account of increased working capital borrowings of Rs. 26.78cr (PY:Rs. 21.12cr). Interest coverage remained moderate viz. PBILDT & PBIT interest coverage at 1.83x (PY: 1.85x) & 1.37x (PY: 1.37X) respectively.

Proximity of raw material sources to manufacturing facilities:

During FY17, AAMCPL procured most of its raw material (wheat) from local grain mandis & traders near its factory location in Khargone district. Proximity of the manufacturing facilities to the raw material sources not only reduces the logistic & procurement costs but also ensures adequate raw material availability.

Diversified Customer Base:

AAMCPL has an established distribution network of dealers which are spread across major states of the country including Madhya Pradesh, Maharashtra, Gujarat etc. AAMCPL caters to the needs of a diversified range of customers ranging from bakers for reputed packaged food companies such as Parle Agro Pvt Ltd, Britannia Industries Limited etc. to other small bakers & traders.

Liquidity: AAMCPL's collection period for FY18 stood at 28 days, along with inventory turnover period of 45 days & creditor period of 14 days resulting in an operating cycle of 58 days. Thus, AAMCPL has to rely on working capital borrowings to fund its working capital requirements. Inventory reduced to Rs.21.31 cr at the end of FY18 from Rs.23.08 cr as the company decreased its raw material inventory.

Analytical approach: Standalone

Applicable Criteria

Policy in respect of Non-cooperation by issuer
 Criteria on assigning Outlook to Credit Ratings
 CARE's Policy on Default Recognition
 Financial ratios – Non-Financial Sector

About the Company

Akshat Agro Milling Company Private Limited (AAMCPL) was incorporated in October 2008 as Sunlight Vincom Private Limited by Mr. Vijay Kumar Gupta (Managing Director). In September 2011, the name of the company was changed to the present one. AAMCPL is engaged in processing of wheat to manufacture different forms of flour such as Atta (wheat flour), Maida (white wheat flour), Suji (semolina), Rawa and Bran (Miller's bran). Mr. Gupta has more than 20 years of experience in grain milling and food processing industry. He has already been running a similar kind of business in his two other companies; Simran Food Product Private Limited (rated CARE BB-; Stable, assigned in August 2017) established in 1998 having installed capacity of 80000 MTPA and Akshat Roller Flour Mill Private Limited (rated ICRA BB+; Stable, assigned in March 2017) established in 2002 having installed capacity of 150000 MTPA. AAMCPL has a total installed capacity of 150000 MTPA. Total installed capacity of all the flour mills is 380000 MTPA.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	181.68	189.28
PBILDT	5.29	6.12
PAT	0.53	0.85
Overall gearing (times)	2.28	2.45
Interest coverage (times)	1.85	1.83

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	20.00	CARE BB; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB+; Stable; ISSUER NOT COOPERATING* on the basis of best available information
Term Loan-Long Term	-	-	-	10.00	CARE BB; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB+; Stable; ISSUER NOT COOPERATING* on the basis of best available information

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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	
1.	Fund-based - LT-Cash Credit	LT	20.00	CARE BB; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB+; Stable; ISSUER NOT COOPERATING* on the basis of best available information	-	-	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (30-Mar-18)	1)CARE BB+; Stable (09-Jan-17) 2)CARE BB+ (21-Oct-16)	
2.	Term Loan-Long Term	LT	10.00	CARE BB; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB+; Stable; ISSUER NOT COOPERATING* on the basis of best available information	-	-	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (30-Mar-18)	1)CARE BB+; Stable (09-Jan-17) 2)CARE BB+ (21-Oct-16)	

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

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Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

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