Annapurna Dal Mill

September 20, 2018

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Long term Bank Facilities	5.28	CARE BB-; Stable; ISSUER NOT COOPERATING* (Double B Minus; Outlook: Stable; ISSUER NOT COOPERATING*)	Revised from CARE BB; Stable (Double B; Outlook: Stable) based on best available information.
Total	**5.28 (Rupees Five crore and twenty eight lakh only)**		

Details of facilities in Annexure-1

Detailed Rationale and key rating drivers

CARE has been seeking information from **Annapurna Dal Mill (ADM)** to monitor the ratings vide letters/e-mails communications dated July 6, 2018, July 10, 2018, September 11, 2018 and numerous phone calls. However, despite our repeated requests, the firm has not provided the requiste information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the ratings on the basis of the publicly available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The rating on ADM's bank facilities will now be denoted as **CARE BB-; Stable 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 ratings.

Detailed description of the key rating drivers

At the time of last rating in September 25, 2017 the following were the rating strengths and weaknesses:

Key Rating Weaknesses:

Modest scale of operations with low profit margins The scale of operations of ADM remained modest marked by total operating income of Rs. 57.76 crore (Rs.51.33 crore in FY15) with a PAT of Rs.0.59 crore (Rs.0.26 crore in FY15) in FY16. However the total operating income witnessed year on year growth and the same has grown at a compounded annual growth rate (CAGR) of 26.56% during last three years (FY14-FY16).In FY17, the firm has achieved turnover of Rs.60.00 crore as maintained by the management. Furthermore, the profit margins of the firm also remained low marked by PBILDT margin of 1.88% (1.72% in FY15) and PAT margin of 1.02% (0.51% in FY15) in FY16. Moreover, the PBILDT margin improved during last three years on account of economies of scale and better management of cost of operations. Furthermore, the PAT margin also improved and moved in line with PBILDT margin during the aforesaid period.

Volatility in the prices of raw materials with exposure to vagaries of nature: The cultivation of pulses happens seasonally and the same is stored for the consumption throughout the year. The prices of pulses remain lower in the harvesting season whereas in off season the price of the pulses goes up as per the demand and supply in the market. As the firm procures its raw materials i.e. raw pulses throughout the year as per its requirement and therefore the firm is exposed to volatility in prices of raw material. Also, agro products cultivation is highly dependent on monsoons, thus exposing the fate of the firm's operation to vagaries of nature.

Regulation by Government in terms of minimum support price (MSP): The Government of India (GOI), every year decides a minimum support price (MSP – to be paid to pulses growers) for pulses which limits the bargaining power of pulses (Dal) millers over the farmers. The MSP of Tur has increased during the crop year 2017-18 to Rs.5450/quintal (as suggested by the Commission for Agricultural Costs and Prices, the apex body to advice on MSP to the government) from Rs.5050/quintal in crop year 2016-17. Furthermore, The MSP of Moong Dal has increased during the crop year 2017-18 to Rs.5575/quintal from Rs.5225/quintal in crop year 2016-17. Given the market determined prices for finished product vis-à-vis fixed acquisition cost for raw material, the profitability margins are highly vulnerable. Such a situation does not augur well for the firm, especially in times of high pulses cultivation.

Partnership nature of constitution: ADM, being a partnership firm, is exposed to inherent risk of the partner's capital being withdrawn at time of personal contingency and firm being dissolved upon the death/retirement/insolvency of the partners. Furthermore, partnership firms have restricted access to external borrowing as credit worthiness of partners would be the key factors affecting credit decision for the lenders.

[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications*
**Issuer not cooperating, based on best available information*

Fragmented and competitive nature of industry: Processing of pulses business is highly fragmented due to presence of small players owing to low entry barrier and low technology and capital requirement. Furthermore, low product differentiation also resulted in high competition in the industry. Considering the fragmented and competitive nature of industry, the millers have low pricing power.

Key Rating Strengths

Experienced partners and long track record of operations: The firm is into milling and processing of pulses since 2004 and thus has more than a decade of track record of operations. Furthermore, the main partner Mr Shiv Kumar Agrawal is associated with the firm since its inception and accordingly has more than a decade of experience in this line of business. He looks after the overall management of the firm. Mr Agarwal is supported by other partners who are also having experience in this line of business.

Proximity to raw material sources and favourable demand outlook of its products: ADM's unit has close proximity to local pulses markets and major raw material procurement destinations. Further, Bihar and nearby states are one of the major pulse producing area in India. Accordingly, ADM has locational advantage in terms of proximity to raw material. This apart, the plant is located in the vicinity of industrial area of Bihar, having good transportation facilities and other requirements like good supply of power, water etc.The demand for pulses is high than the actual production happens in India and thus shortfall is met by imports from other countries. Therefore the demand outlook for pulses is estimated to remain positive in the domestic market going forward.

Comfortable capital structure with satisfactory debt coverage indicators: The capital structure of the firm remained comfortable marked by overall gearing ratio of 0.55x (1.74x as on March 31, 2015) as on March 31, 2016.Furthermore the overall gearing improved as on March 31, 2016 on account of lower utilization fund based limit as on account closing date, repayment of term loans and infusion of capital by the partners of Rs.0.69 crore in FY16. The debt coverage indicators also remained satisfactory marked by interest coverage of 3.31x and total debt to GCA at 2.33xin FY16. Further, the interest coverage improved in FY16 on account of higher increase in PBILDT level vis-à-vis increase in interest charges. The total debt to GCA also improved on account of improvement in cash accruals and low debt level as on account closing date.

Analytical approach: Standalone

Applicable Criteria

Policy in respect of Non-cooperation by issuer

Criteria on assigning Outlook to Credit Ratings

Rating Methodology-Manufacturing Companies

Financial ratios – Non-Financial Sector

CARE's Policy on Default Recognition

About the Company

Annapurna Dal Mill (ADM) was set up as a proprietorship entity in 2004 by Mr Shiv Kumar Agrawal for setting up a manufacturing unit for processing of pulses. However, ADM was constituted as a partnership firm via partnership deed dated January 09, 2015 by Mr Shiv Kumar Agrawal and his family members.Since its inception, the firm has been engaged in milling and processing of pulses like massor and moong dal. The plant of the firm is located at Gaya, Bihar with an installed capacity of 20 metric ton per day.

Brief Financials (Rs. crore)	FY15 (A)	FY16 (A)
Total operating income	51.33	57.76
PBILDT	0.88	1.08
PAT	0.26	0.59
Overall gearing (times)	1.74	0.55
Interest coverage (times)	3.56	3.31

A-Audited

Status of non-cooperation with previous CRA: Not Applicable.

Any other information: Not Applicable.

Rating History (Last three years): Please refer Annexure-2

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:
CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Annexure-1: Details of 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-Term Loan	-	-	November 2021	0.48	CARE BB-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB; Stable on the basis of best available information
Fund-based - LT-Cash Credit	-	-	-	4.80	CARE BB-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB; Stable 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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Term Loan	LT	0.48	CARE BB-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB; Stable on the basis of best available information	-	1)CARE BB; Stable (25-Sep-17)	-	-
2.	Fund-based - LT-Cash Credit	LT	4.80	CARE BB-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB; Stable on the basis of best available information	-	1)CARE BB; Stable (25-Sep-17)	-	-

* Issuer Not Cooperating; based on best available information

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