

ATC Foods Private Limited

Instrument	Amount	Rating action
	In Rs. Crore	As on June 2016
Fund Based Limits	65.00	[ICRA]B+; <i>Assigned</i>

ICRA has assigned its long-term rating of [ICRA]B+ (pronounced ICRA B plus) to the Rs. 65.00 crore¹ fund based facilities of ATC Foods Private Limited (AFPL)[†].

ICRA's rating factors in the low value additive nature of the rice milling business and the high competitive intensity in the industry. The rating also takes into account the working capital intensive nature of the rice milling business due to the need to maintain substantial inventories, which has led to full utilisation in the working capital limits for most of the year. Further, the incremental working capital requirements have been primarily funded through bank borrowings, leading to a highly leveraged capital structure. The ratings are also constrained by the company's low cash accruals, moderate net worth and weak coverage indicators. ICRA also takes note of AFPL's low and volatile operating margins due to slowdown in export markets, and the company's exposure to agro climatic risks, which can affect the availability of paddy in adverse conditions.

However, the rating is supported by the firm's long track record of operations and the experience of the promoters in the rice industry and proximity of the mill to a major rice growing area which results in easy availability of paddy.

Going forward, the company's ability to maintain its scale of operations and improve its profitability, while maintaining a prudent capital structure and optimizing its working capital intensity will be the key rating sensitivities.

Company Profile

Incorporated in 2011, ATC Foods Private Limited is engaged in milling, processing and sorting of basmati and non-basmati rice. The company's plant at Delhi has a milling capacity of 60 tonnes per day. The company primarily sells basmati rice through exports, as well as domestic sales. The direct exports are made to countries like Dubai, Saudi Arabia etc. and the balance is sold through exporters to European countries.

Recent Results

The company, on a provisional basis, reported a profit before tax of Rs. 0.90 crore on an operating income of Rs. 341.65 crore in FY2016, as compared to a profit before tax of Rs. 1.00 crore on an operating income of Rs.516.98 crore in the previous year.

June 2016

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¹ 100 lakh = 1 crore = 10 million

[†] For complete rating scale and definitions please refer to ICRA's website www.icra.in or other ICRA Rating Publications



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