

Mahateja Rice Mills Private Limited: Upgraded

Name of the Instrument	Amount (Rs Crore)	Ratings/Outlook
Cash Credit	12.00	SMERA BB-/Stable (Upgraded from SMERA B+/Stable)
Term Loan	1.15 (Revised from Rs.2.67 crore)	SMERA BB-/Stable (Upgraded from SMERA B+/Stable)
Stand by Line of Credit	1.80	SMERA A4+ (Assigned)
Bank Guarantee	0.20	SMERA A4+ (Upgraded from SMERA A4)
Bank Facilities (Proposed)	0.18	SMERA BB-/Stable (Assigned)

SMERA has upgraded the long term rating on the Rs.13.15 crore bank facilities of Mahateja Rice Mills Private Limited (MRMPL) to **'SMERA BB-' (read as SMERA double B minus)** from 'SMERA B+' (read as SMERA B plus). SMERA has assigned a short term rating of **'SMERA A4+' (read as SMERA A four plus)** on the Rs.1.80 crore facility and upgraded the short term facility of Rs.0.20 crore from SMERA A4 (SMERA A four) to **'SMERA A4+' (read as SMERA A four plus)**. SMERA has also assigned rating of **'SMERA BB-' (read as SMERA BB minus)** on the Rs.0.18 crore bank facilities. The outlook is **'Stable'**.

The upgrade is in view of the improvement in margins and financial risk profile of the company. The ratings continue to derive comfort from the experienced management, moderate revenue growth and operational track record. However, the ratings are constrained by the working capital intensive business and intense competition in the rice industry.

Update

MRMPL has registered revenue of Rs.48.96 crore in FY2015 against SMERA's projected revenue of Rs.44.64 crore and growth of ~12 per cent.

The company has registered ~Rs.48.86 crores sales in FY2015-16 (Provisional). Further, the operating margins have improved to 4.80 per cent as against 4.27 per cent in FY2015. The company's financial risk profile has improved in FY2014-15 with decrease in debt-equity ratio of 2.09 times as against 2.19 times in FY2013-14. Going forward, the company is expected to remain highly leveraged as debt-equity will be in the range of 1.50-1.76 times. The interest coverage ratio has improved and stands healthy at 2.21 times in FY2014-15.

Rating Sensitivity Factors

- Effective working capital management
- Scaling up operations whilst maintaining healthy profitability

Outlook-Stable

SMERA believes that the outlook of the company would remain stable on account of MRMPL's experienced management and moderate revenue scalability. The outlook may be revised to 'Positive' if the company achieves improvement in revenues and profit margins, as also in the capital structure and coverage indicators. Conversely, the outlook may be revised to 'Negative' in case of lower than expected revenues and profitability.

Criteria applied to arrive at the ratings:

- Manufacturing Entities

About the Company

Incorporated in 2002, MRMPL is a Telangana-based company engaged in the processing and trading of rice. The company has set up a rice mill in Nalgonda district with an installed capacity of 250,000 tonnes per day.

For FY2014-15, MRMPL reported profit after tax (PAT) of Rs.0.40 crore on operating income of Rs.48.96 crore as compared with PAT of Rs.0.51 crore on operating income of Rs.43.59 crore for FY2013-14.

Rating History

Date	Name of the Instrument	Amount (Rs. Crore)	Rating		Rating Outlook
			Long Term	Short Term	
27 June, 2015	Cash Credit	12.00	SMERA B+	-	Stable
	Term Loan	2.67	SMERA B+	-	Stable
	Bank Guarantee	0.20	-	SMERA A4	

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ABOUT SMERA

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