

Press Release

Mahateja Rice Mills Private Limited

September 25, 2017



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 15.33 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA BB-**' (**read as SMERA BB minus**) and short term rating of '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs. 15.33 crore bank facilities of Mahateja Rice Mills Private Limited. The outlook is '**Stable**'.

Incorporated in 2002, Mahateja Rice Mills Private Limited (MRMPL) is a Telangana-based company promoted by Mr. Narsimha Manchukonda and Mr. Kushaliah Bandaru. The company is engaged in the processing and trading of basmati and non- basmati rice with installed capacity of 3 lakh tonnes per day.

Key Rating Drivers

Strengths

- **Experienced management**

The Directors, Mr. Narsimha Manchukonda and Mr. Kushaliah Bandaru have around 35 years of experience in the rice processing industry.

- **Growth in revenues**

MRMPL has registered consistent year-on-year revenue growth during the period under study. The revenue increased to Rs. 57.08 crore in FY2017 (Provisional) from Rs. 50.43 crore in FY2016 and Rs. 48.96 crore in FY2015. The growth is on account of increase in demand from Tamil Nadu, Maharashtra and Hyderabad. SMERA believes that the revenues would further improve in FY2018 on the back of the recent capacity addition.

- **Moderate financial risk profile**

MRMPL has a moderate financial risk profile marked by low networth of Rs. 7.67 crore as on 31 March, 2017 (Provisional) as against Rs.7.20 crore as on 31 March 2016. The gearing (debt to equity ratio) improved to 1.91 times as on 31 March, 2017 (Provisional) as against 2.53 times as on 31 March, 2016. The total debt of Rs. 14.68 crore as on 31 March 2017 (Provisional), mainly consists of working capital borrowings, term loan from bank, godown key term loan and unsecured loans from promoters. The interest coverage ratio (ICR) improved to 2.17 times in FY2017 (Provisional) compared to 1.88 times in FY2016. In FY2017, the net cash accruals to total debt (NCA/TD) stood at 0.08 times as against 0.05 times in FY2016.

Weaknesses

- **Moderate profitability**

The operating margins (EBIDTA) declined to 4.34 per cent in FY2017 (Provisional) from 4.90 per cent in FY2016. This is owing to increase in cost of irrigation due to shortage of water in the region. The net profit after tax (PAT) margins stood at 0.82 percent in FY2017 (Provisional) as against 0.77

per cent in FY2016.

• Working capital intensive operations

MRMPL has working capital intensive operations marked by high gross current assets (GCA) of 125 days in FY2017 as against 159 days in FY2016. This is on account of high inventory holding of 93 days in FY2017 as against 149 days in FY2016. The average cash credit limit utilisation has been 67 per cent in the last six months ended May 2017.

• Agro climatic risks

Paddy, the main raw material is highly dependent upon the monsoon. Thus, inadequate rainfall may affect the availability of paddy in adverse weather conditions.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the company.

Outlook: Stable

SMERA believes that MRMPL will maintain a stable outlook over the medium term owing to the experienced management. The outlook may be revised to 'Positive' in case the company registers substantial growth in revenue with improved profitability while maintaining its financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of steep decline in revenues and profitability or further elongation of working capital cycle.

About the Rated Entity - Key Financials

For FY2017 (Provisional), MRMPL reported net profit of Rs. 0.47 crore on operating income of Rs.57.08 crore against Rs. 0.39 crore on operating income of Rs. 50.43 crore in the previous year. The net worth stood at Rs.7.67 crore as on 31 March, 2017 (Provisional) as against Rs. 7.20 crore in the previous year.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
17-Jun-2016	Cash Credit	Long Term	INR 12	SMERA BB- / Stable
	Term Loan	Long Term	INR 1.15	SMERA BB- / Stable
	Standby Line of Credit	Short Term	INR 1.8	SMERA A4+
	Bank Guarantee	Short	INR 0.2	SMERA A4+

		Term		
	Proposed Working Capital Demand Loan	Long Term	INR 0.18	SMERA BB- / Stable
27-Jun-2015	Cash Credit	Long Term	INR 12	SMERA B+ / Stable
	Term Loan	Long Term	INR 2.67	SMERA B+ / Stable
	Bank Guarantee	Short Term	INR 0.2	SMERA A4

*Annexure - Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	12.00	SMERA BB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.15	SMERA BB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.20	SMERA A4+
Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.34	SMERA BB- / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	0.18	SMERA BB- / Stable

Contacts

Analytical	Rating Desk
Vinayak Nayak Head – Ratings Operations Tel: 022-67141190 vinayak.nayak@smera.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@smera.in
Leena Gupta Analyst - Rating Operations Tel: 022-67141172 leena.gupta@smera.in	

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, D&B and leading public and private sector banks in India. SMERA is registered with SEBI, accredited by RBI as an External Credit Assessment Institution (ECAI), under BASEL-II norms for undertaking Bank Loan Ratings. SMERA Bond Ratings is a division of SMERA Ratings Limited responsible for ratings of bank facilities, and capital market/money market debt instruments such as Bonds, Debentures, Commercial Papers, Fixed Deposits, Certificate of Deposits etc.. For more details, please visit www.smera.in.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the

data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.