Press Release

ROHIL FOODS PRIVATE LIMITED

June 02, 2018

Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 20.00 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable

** Refer Annexure for details*

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE BB-**' **(read as ACUITE BB minus)** on the Rs. 20.00 crore bank facilities of ROHIL FOODS PRIVATE LIMITED. The outlook is **'Stable'**.

RFPL is engaged in the milling of basmati and non-basmati rice since 2009. The company operates a rice mill at Kaithal, Haryana with an installed capacity of 12 metric tonnes per annum (MTPA). Besides, RFPL is also engaged in the trading of cotton seed oil, cotton cake, bran, husk and other agro commodities which contribute to less than 5 percent of their revenues. RFPL is promoted by Mr. Vinod Khurania, Mr. Praveen Khurania and Ms. Sonia Khurania.

Key Rating Drivers

Strengths

- **Experienced Management**
The rating continues to draw comfort from the longstanding experience of the promoters in the rice milling business. Mr. Vinod Kumar (Managing Director) has been engaged in this business for nearly a decade SMERA expects RFPL to continue to benefit from the promoters' ability to leverage their relationship with well-established clients of the company.

- **Efficient working capital management**
The efficient working capital management of the company is marked by low GCA days of 57 days in FY2017 as compared to 48 days in FY2016. Further, the GCA days stood at 38 days in FY17-18 (Provisional). The company reported low inventory days of 47 days in FY2016-17 as against 41 days in the previous year while the average collection period remained under 10 days for the last three financial years. For FY17-18 the inventory days stood at 32 days (provisional). This is primarily because majority of the sales of the company are realized in cash with minimal credit periods being extended to its clients. Further, the company's procurement policies are purely order backed - resulting in timely turnover of inventory and limiting the company's working capital requirements. The prudent working capital management has resulted in modest bank limit utilization of around 60 percent for the last six months ended April 2018.

Weaknesses

- **Average financial risk profile:**
The company is having average financial risk profile marked by low networth, moderate gearing and constrained debt protection measures. The networth of the company stood at Rs.4.70 crore as on 31st March 2017 as against Rs.4.64 crore in the previous year. The net worth of the company stood at Rs.4.79 crore as on 31st March 2018 (provisional). The gearing of the company stood at 1.74 times as on 31st March 2017 as against2.03 times in the previous year. The gearing of the company stood at 0.90 times as on 31st March 2018 (provisional). The total debt of Rs.8.18 crore as on 31st March 2017 consists of long term debt of Rs.1.08 crore, unsecured loans from promoters of Rs.0.76 crore and short term borrowings of Rs.5.93 crores. The interest coverage ratio of the company stood at 1.54 times in FY17 as against 1.63 times in the previous year. Further, the ICR stood at 1.68 times for FY18 (provisional). The debt service coverage ratio (DSCR)stood moderate at 1.14 times in FY17 as against 1.19 times in the previous year. The DSCR for stood at 1.12 times (provisional). The NCA/TD ratio stood at 0.08 times in FY17 as against 0.07 times in the previous year. The NCA/TD ratio stood at 0.13 times for FY18 (provisional).

- **Consistent decline in operating income:**
RFPL reported a continued decline in its operating income to Rs.67.66 crore in FY2016-17 from Rs.75.51 crore in FY2015-16. The company has faced challenges in improving its operating income on account of a sustained decline in rice prices due to unfavorable demand-supply dynamics in the export market. RFPL has also been facing intense competition from other rice mills in and around Haryana - resulting in a significant decline in its sales volumes. However, the company has reported growth in revenue to Rs.73.10 crore for FY18 (provisional).

- **Low profitability margins:**
RFPL's operating profit margin continues to remain low at 2.65 per cent in FY2016-17 as against 2.17 per cent in FY2015-16. This is primarily on account of competitive pressures being faced by the company and also volatility in rice prices in the domestic and international markets. Further, for FY2018 (provisional), the company has reported EBIDTA margin of 1.86 percent and PAT margin of 0.12 percent.

Analytical Approach
Acuité has considered the standalone business and financial risk profiles of Rohil Foods Private Limited to arrive at this rating.

Outlook: Stable
Acuité believes that RFPL will maintain a stable outlook in the medium term owing to the experience of its management in the rice milling business and established relationships with customers. The outlook may be revised to 'Positive' in case of sustained increase in revenues while maintaining its working capital cycle and improving profitability indicators. Conversely, the outlook may be revised to 'Negative' in case of continued decline in revenue and accruals or elongation of working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	67.66	75.51	85.23
EBITDA	Rs. Cr.	1.79	1.64	1.48
PAT	Rs. Cr.	0.08	0.05	0.04
EBITDA Margin	(%)	2.65	2.17	1.74
PAT Margin	(%)	0.11	0.07	0.05
ROCE	(%)	9.20	8.42	20.17
Total Debt/Tangible Net Worth	Times	1.74	2.03	1.44
PBDIT/Interest	Times	1.54	1.63	1.35
Total Debt/PBDIT	Times	4.57	5.72	4.48
Gross Current Assets (Days)	Days	57	48	32

Status of non-cooperation with previous CRA (if applicable)
None

Any other information
Acuité is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups

Applicable Criteria

- Default Recognition - https://www.acuite.in/criteria-default.htm
- Manufacturing Entities - https://www.acuite.in/view-rating-criteria-4.htm
- Financial Ratios And Adjustments - https://www.acuite.in/view-rating-criteria-20.htm

Note on complexity levels of the rated instrument
https://www.acuite.in/criteria-complexity-levels.htm

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
15-May-2017	Cash Credit	Long Term	INR 17	ACUITE BB- / Stable
	Term Loan	Long Term	INR 1.9	ACUITE BB- / Stable
	Working Capital Demand Loan	Long Term	INR 1.1	ACUITE BB- / Stable
14-Dec-2015	Cash Credit	Long Term	INR 15	ACUITE BB- / Stable
	Term Loan	Long Term	INR 2	ACUITE BB- / Stable
	Proposed Bank Facility	Long Term	INR 3	ACUITE BB- / Stable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	1.12	ACUITE BB- / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE BB- / Stable
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	3.88	ACUITE BB- / Stable

Contacts

Analytical	Rating Desk
Suman Chowdhury President - Rating Operations Tel: 022-67141107 suman.chowdhury@acuite.in Deep Majumder Analyst - Rating Operations Tel: 022-67141147 deep.majumder@acuiteratings.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in

About Acuité Ratings & Research:
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which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.