

Press Release

Sri Shiva Durga Rice Industries

D-U-N-S® Number: 86-975-8455

February 04, 2019



Rating Reaffirmed and Assigned

Total Bank Facilities Rated*	Rs. 18.00 Cr. (enhanced from Rs.15.00 crore)
Long Term Rating	ACUITE BB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) to the Rs. 15.00 crore and assigned long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) to the Rs. 3.00 crore bank facilities of Sri Shiva Durga Rice Industries (SSRI). The outlook is '**Stable**'.

Established in 2007 as a partnership firm, SSRI is engaged in the milling of paddy and producing raw and parboiled rice. The firm has a milling unit in Bebbigudem village at Nalgonda district (Telangana) with an installed capacity of 5 tons per hour. The promoter and Managing Partner, Mr. Kasam Jagan possesses experience of more than a decade in the agro industry. SSRI sells its product under the brand names of 'Sivadurga' and 'JJJ'.

Analytical Approach

Acuite has taken a standalone view of the business and financial risk profile of SSRI to arrive at the rating.

Key Rating Drivers

Strengths

- **Long track record of operations and experienced management:**

SSRI was incorporated in 2007 as a partnership firm. The promoters, Mr. Kasam Jagan, Mrs. Kasam Swapna, Mr. Julakanti Uday kumar, Mrs. Julakanti Vijaykumari, Mr. Karnati Karuna and Mrs. Vangaviti Sridevi have experience of more than a decade in the agro industry.

- **Established relationship with the customers and suppliers:**

The firm's extensive presence in the industry has helped them to establish healthy relationships with customers and suppliers which will continue to help bag repeat orders and uninterrupted flow of raw material. It caters to more than 50 customers across the states of Maharashtra, Karnataka, Telangana and Tamil Nadu, among others.

Weaknesses

- **Modest financial risk profile:**

The financial risk profile of the company is marked by modest net worth, comfortable gearing and debt protection measures. In FY2018, the net worth levels of the company increased to Rs.8.49 crore from Rs.8.51 crore in the previous year. The increase in net worth is driven by profits of the company. The gearing levels (debt-equity) have increased to 1.76 times in FY2018 as against 1.53 times as on FY2017 which is mainly on account of increased short term debt. The interest coverage ratio (ICR) stood at 1.34 times and debt service coverage ratio (DSCR) stood at 1.34 times in FY2018 as compared to ICR at 1.34 times and DSCR at 1.10 times in FY2017.

- **Susceptibility of margins to volatility in raw material prices:**

The major raw material of the firm is paddy. The prices of the same are fluctuating in nature. Therefore, the operating profit margins of the company are susceptible to raw material price fluctuation which is reflected in operating margin of 2.70 percent in FY2018 as compared to 2.59 percent in FY2017.

• **Competitive and fragmented nature of rice:**

Agriculture is a highly competitive and fragmented industry due to low entry barriers which results in intense competition from both the organised as well as unorganised players in the industry. This is likely to have an impact on the firm's operating performance and profitability.

Outlook: Stable

Acuite believes that SSRI will continue to maintain a 'Stable' outlook over the medium term owing to the experience of its management and established relations with its clientele. The outlook may be revised to 'Positive', if the group achieves sustained improvement in profit margins while maintaining healthy revenue growth. Conversely, the outlook may be revised to 'Negative' in case of steep decline in revenues, profit margins or deterioration in the capital structure or coverage indicators.

Liquidity Position

The company has adequate liquidity marked by moderate net cash accruals to its maturing debt obligations. The company had cash accruals of Rs.0.51 crore in FY2018, while the maturing debt obligations are zero over the same period. The cash accruals are estimated to remain around Rs.0.50-1.00 crore during 2019-21. The company's operations are moderately intensive as marked by gross current asset (GCA) days of 116 in FY 2018. This has led to moderate reliance on working capital borrowings, the cash credit limit remains fully utilised during the last 12 months period ended December 2018. The current ratio stood healthy at 1.46 times as on March 31, 2018. Acuite believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy cash accrual and no major repayments over the medium term.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	74.10	67.45	62.56
EBITDA	Rs. Cr.	2.00	1.75	1.88
PAT	Rs. Cr.	0.38	0.31	0.29
EBITDA Margin	(%)	2.70	2.59	3.00
PAT Margin	(%)	0.52	0.46	0.47
ROCE	(%)	8.49	8.54	12.14
Total Debt/Tangible Net Worth	Times	1.76	1.53	1.18
PBDIT/Interest	Times	1.34	1.34	1.29
Total Debt/PBDIT	Times	7.49	7.11	4.98
Gross Current Assets (Days)	Days	116	111	96

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.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
29-Mar-2018	Cash Credit	Long Term	12.00	ACUITE BB- / Stable (Reaffirmed)
	Cash Credit	Long Term	3.00	ACUITE BB- / Stable (Assigned)

03-Mar-2017	Cash Credit	Long Term	11.64 (Enhanced from Rs.6.50 cr)	ACUITE BB- / Stable (Upgraded)
	Term Loan	Long Term	0.36 (Reduced from Rs.1.08 cr)	ACUITE BB- / Stable (Upgraded)
31-Dec-2015	Cash Credit	Long Term	6.50	ACUITE B / Stable (Assigned)
	Term Loan	Long Term	1.08	ACUITE B / Stable (Assigned)
	Proposed Working Capital Demand Loan	Long Term	2.00	ACUITE B / Stable (Assigned)

***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	ACUITE BB-/ Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BB-/ Stable (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BB-/ Stable (Assigned)

Contacts

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About Acuité Ratings & Research:

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