

Press Release

Shiv Shankar Rice Mills

July 31, 2018

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 13.00 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) on the Rs. 13.00 crore bank facilities of Shiv Shankar Rice Mills. The outlook is '**Stable**'.

Shiv Shankar Rice Mills (SSRM) was established in 2003 as a partnership firm. SSRM is led by Mr. Anil Kumar Gupta and Mrs. Savita Gupta. The firm is engaged in the milling and processing of basmati rice. The firm procures the raw material i.e. paddy from Haryana, Punjab, Madhya Pradesh to name a few. Firm caters various locations through brokers.

Key Rating Drivers

Strengths

- **Experienced promoters**

The firm is promoted by Mr. Anil Kumar Gupta and Mrs. Savita Gupta who possess over a decade of experience in this industry. Acuite believes that the extensive experience has helped SSRM to develop long term relations with customers.

Weaknesses

- **Average financial risk profile**

The financial risk profile of SSRM is average marked by net worth of Rs.6.51 crore as on March 31, 2018 (Provisional) as against Rs.6.13 as on March 31, 2017. This includes unsecured loan of Rs.3.39 crore as on 31 March, 2018 (Provisional) which is considered as quasi equity. The adjusted gearing stood high at 2.06 times as on March 31, 2018 (Provisional) as against 1.65 times as on March 31, 2017 on account of low net worth coupled with high reliance on working capital borrowings. The total debt of Rs.13.43 crore as on March 31, 2018 (Provisional) comprises of working capital borrowings. Interest Coverage Ratio stood at 1.43 times for FY2018 (Provisional) as against 1.39 times in FY2017. Total outside liabilities to total net worth (TOL/TNW) stood at 2.19 times as on March 31, 2018 (Provisional) as against 1.76 times as on March 31, 2017.

- **Agro climatic risks and tender based nature of business**

Paddy which is the main raw material required for rice is a seasonal crop and the production of the same is highly dependent upon monsoon season. Thus, inadequate rainfall may affect the availability of paddy in adverse weather conditions.

- **Competitive and fragmented nature of rice milling business**

Rice is a highly competitive industry due to low entry barriers which results in intense competition from both the organised as well as unorganised players.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the SSRM to arrive at this rating.

Outlook: Stable

Acuite believes that SSRM will maintain a 'Stable' outlook in the medium term on account of the promoter's experience in the rice milling business. The outlook may be revised to 'Positive' in case of increase in revenues and significant improvement in profitability. Conversely, the outlook may be

revised to 'Negative' in case of deterioration in the financial risk profile or elongation of working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	57.48	73.14	60.06
EBITDA	Rs. Cr.	1.70	1.75	1.68
PAT	Rs. Cr.	0.29	0.24	0.20
EBITDA Margin	(%)	2.96	2.39	2.79
PAT Margin	(%)	0.50	0.32	0.33
ROCE	(%)	8.18	8.70	10.11
Total Debt/Tangible Net Worth	Times	2.06	1.65	2.05
PBDIT/Interest	Times	1.43	1.39	1.32
Total Debt/PBDIT	Times	7.89	5.78	7.15
Gross Current Assets (Days)	Days	121	74	105

Any other information

Not Applicable

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
12-Jun-2017	Cash Credit	Long Term	INR 10	ACUITE B+ (Indicative)
10-Mar-2016	Cash Credit	Long Term	INR 10	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	13.00 (Enhanced from Rs. 10.00)	ACUITE B+ / Stable (Reaffirmed)

Contacts

Analytical	Rating Desk
<p>Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-67141111 aditya.gupta@acuite.in</p> <p>Simranjeet Kaur Analyst - Rating Operations Tel: 022-67141110 Simranjeet.Kaur@acuiteratings.in</p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in</p>

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

Disclaimer: An Acuité 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. Acuité 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, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité 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. Acuité 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.acuite.in) for the latest information on any instrument rated by Acuité.