

Press Release

Balaji Rice Mill.

27 June, 2017



Rating Assigned

Total Instruments Rated*	Rs.11.50 Cr
Long Term Rating	SMERA BB- / Outlook: Stable
Short Term Rating	SMERA A4+

*Refer Annexure for details

Rating Rationale

SMERA has assigned 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. 11.50 crore bank facilities of Balaji Rice Mill. The outlook is '**Stable**'.

Balaji Rice Mill (BRM), a partnership firm established in 1984 is engaged in the milling and Processing of paddy. The firm was promoted by Mr Jagannadha Raju, Mr Arun Kumar Raju, Mr Rama Koti Raju and others.

Key Rating Drivers

Strengths

- **Experienced management**

The promoters have more than a decades experience in the rice milling industry.

- **Proximity to raw material**

The manufacturing facility is located at Palakol, Andhra Pradesh, one of the major rice producing areas in southern India. The firm procures paddy from local farmers and agents.

- **Moderate financial risk profile**

The financial risk profile of the group is moderate marked by gearing of 2.51 times as on 3 March, 2016 as compared to 3.80 times as on 31 March, 2015. The net worth is moderate at Rs.9.44 crore as on 31 March, 2016. The group has moderate coverage indicators. The interest coverage ratio (ICR) stood at 1.17 times in FY2016. The total outside liability over tangible networth (TOL/TNW) stood at 2.53 times as on 31 March, 2016.

Weaknesses

- **Uneven Revenue**

The group reported operating income of Rs. 97.75 crore in FY2016-17 (Provisional) as against Rs. 55.42 crore in FY2015-16 and Rs.75.43 crore in FY2014-15. The uneven sales are on account of intense competition from organised as well as unorganised players. Further, sales also depend on climatic conditions, pricing and varieties of rice sold.

- **Agro climatic risks**

Paddy, the main raw material is a seasonal crop and production of the same is dependent on the monsoon. Thus, inadequate rainfall may affect the availability of paddy in adverse weather conditions.

- **Working capital intensive business**

The nature of operations of the group are working capital intensive evident from the working capital

cycle of 189 days mainly on account of inventory of 134 days for FY2015-16. The working capital cycle stood at 190 days with inventory of 116 days during FY2014-15.

Analytical Approach

SMERA has consolidated the financial and business risk profiles of BRM, Sri Satyalakshmi Rice Mill (SSRM) and Sri Jagannadha Surya Lakshmi Rice Mill (SJSLRM). The consolidation is in view of the common ownership, similarity in the lines of business and operational linkages within the three firms.

Outlook: Stable

SMERA believes that the firm will maintain a stable outlook owing to the extensive experience of the management in the rice milling business and established relations with customers. The outlook may be revised to 'Positive' in case of sustained increase in revenues and profitability margin. Conversely, the outlook may be revised to 'Negative' in case of further deterioration in the financial risk profile.

About the Group

SSRM, BRM and SJSLRM are engaged in rice milling and processing of paddy at Andhra Pradesh.

About the Rated Entity - Key Financials

For FY2016-17 (Provisional) the firm registered profit after tax (PAT) of Rs.0.35 crore on operating income of Rs.97.75 crore as compared to PAT of Rs.0.21 crore on operating income of Rs.55.42 crore for FY2015-16. On standalone basis, BRM registered PAT of Rs.0.14 crore on operating income of Rs.35.56 crore for FY2016-17 (Provisional) as against PAT of Rs.0.11 crore on operating income of Rs.23.94 crore for FY2015-16.

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)

Not Applicable

***Annexure - Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.00	SMERA BB- / Stable (Assigned)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	4.50	SMERA A4+(Assigned)

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ABOUT SMERA

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