

Press Release

SHRI RADHA KRISHNA RICE MILLS

12 January, 2018

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 11.98 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long-term rating of '**SMERA BB-**' (read as SMERA double B minus) on the Rs. 11.98 crore bank facilities of SHRI RADHA KRISHNA RICE MILLS. The outlook is 'Stable'.

Shri Radhakrishna Rice Mills (SRRM) was established in 2012 as a partnership firm by Mr. Pawan Kumar and Mrs. Kiran Bala. The firm is engaged in the milling and polishing of rice at Nissing (Haryana) and has installed capacity of 8 ton/hour.

Key Rating Drivers

Strengths

- **Established track record of operations, experienced management**

SRRM is engaged in the milling, polishing and trading of rice since 2012. Prior to this, Mr. Pawan Kumar, Managing Partner, was engaged in the trading of paddy at Anaj Mandi, Karnal. The promoter has longstanding relations with suppliers, farmers, brokers among others. The firm caters largely to exporters of rice.

- **Proximity to rice growing areas**

The firm benefits from the proximity of its milling facility (Nissing, Haryana) to mandis (Punjab, Haryana and Uttar Pradesh) for sourcing of paddy. The firm also exports its products to the Middle East, US, European countries among others.

Weaknesses

- **Average financial risk profile**

SRRM exhibits average financial risk profile marked by net worth of Rs 10.94 crore as on March 31, 2017 compared to Rs 8.86 crore as on March 31, 2016. The firm has debt-to-equity ratio of 4.09 times for FY2017 and 1.55 times for FY2016. The total debt includes long term loan of Rs 6.27 and short term borrowings amounting to Rs 38.47 crore. The firm has availed warehouse credit and cash credit to support its inventory of Rs 56.22 crore. The Interest Coverage Ratio stood at 1.79 times for FY2017 compared to 1.65 times for FY2016. The total outstanding liability to total net worth stood at 5.71 times for FY2017 as against 2.91 times for FY2016.

- **Volatility in prices, agro- climatic risks**

The price of paddy is driven by the market forces of supply and demand. Volatility in prices thus is an inherent risk for entities affecting the top- line as well as inventory management. Since paddy is an agro commodity, the firm is exposed to agro climatic risks.

- **High working capital utilisation**

The industry is working capital intensive given the need for warehousing post the harvesting season (September-November). This is reflected in the high GCA days of 203 for FY2017 as against 142 in FY2016. The GCA days are dominated by inventory days of 172 in FY2017 compared to 69 in FY2016.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of SRRM.

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. The outlook may be revised to 'Positive' in case of sustained increase in revenues and accruals while maintaining its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenues 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.	122.71	75.26	106.24
EBITDA	Rs. Cr.	3.46	2.78	2.84
PAT	Rs. Cr.	1.03	0.31	0.34
EBITDA Margin	(%)	2.82	3.69	2.67
PAT Margin	(%)	0.84	0.41	0.32
ROCE	(%)	8.34	9.35	19.65
Total Debt/Tangible Net Worth	Times	4.09	1.55	1.54
PBDIT/Interest	Times	1.79	1.65	1.81
Total Debt/PBDIT	Times	11.21	4.94	4.12
Gross Current Assets (Days)	Days	203	142	101

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.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. Crore)	Ratings/Outlook
04-Nov, 2016	Cash Credit	Long Term	INR 9	SMERA BB- / Stable
	Term Loan	Long Term	INR 2.98	SMERA BB- / Stable

***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	11.98	SMERA BB- / Stable

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