

Press Release

Shri Radha Krishna Rice Mills

October 23, 2018

Rating Reaffirmed and Assigned



Total Bank Facilities Rated*	Rs. 19.00 Cr. (Enhanced from Rs.11.98 Cr.)
Long Term Rating	ACUITE BB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) to the Rs. 11.98 crore bank facilities of Shri Radha Krishna Rice Mills (SRKRM). The outlook is '**Stable**'.

Further, Acuite has assigned long term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) to the Rs.7.02 crore bank facilities of SRKRM. The outlook is '**Stable**'.

Shri Radha Krishna Rice Mills (SRKRM), established in 2012, is a partnership firm based out of Nissing (Haryana) and promoted Mr. Pawan Kumar and family. The firm is engaged in milling of basmati rice with an installed capacity of 8 ton/hr.

Analytical Approach

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

Key Rating Drivers:

Strengths

- Experienced management and location advantage**

SRKRM has been engaged in milling, polishing and trading of rice since 2012. Prior to this, Mr. Pawan Kumar, key promoter, was engaged in trading of processed rice and paddy. The promoter's extensive experience has resulted in longstanding relations with its suppliers, farmers and brokers as also with its clientele majority of which are engaged in export of rice. Further, the firm also enjoys location advantage given easy access to mandis in the surrounding area of Nissing (Hararyana) and ready buyers in mandis across Haryana, Punjab and Delhi.

- Moderate working capital intensive nature of operations**

The working capital operation of SRKRM has improved and the same is reflected by its Gross Current Assets (GCA) of 113 days in FY2018 as against 203 days in FY2017. The GCA has improved mainly on account of lower inventory level which has come down from 172 days in FY2017 to 81 days in FY2018. The debtors improved marginally from 33 days in FY2017 to 27 days in FY2018. Going forward, the firm's ability to sustain revenue growth while maintaining its working capital requirements will remain a key concern.

Weaknesses

- Average financial risk profile**

SRRM exhibits average financial risk profile marked by net worth of Rs.9.46 crore as on March 31, 2018 compared to Rs.10.94 crore as on March 31, 2017. The gearing remained high at 4.49 times as on March 31, 2018 as against 4.09 times in the previous year on account of higher working capital requirement. Total debt outstanding of Rs.42.48 consist of long term loan amounting to Rs.1.38 crore, short term borrowings amounting to Rs.32.33 crore and unsecured loans from promoters amounting to Rs.8.77 crore. The debt protection metrics remained modest with interest coverage ratio (ICR) of 1.68 times as on March 31, 2018 compared to 1.79 times in the previous year.

• **Susceptible to volatility in price and adverse government regulations**

SKRKM is primarily into milling and processing of basmati rice for exports. The company is therefore exposed to price fluctuations because of global demand scenario, import norms of major export destinations and unfavorable forex movements. Profitability and realization is also vulnerable to government's regulations such as changes in duties, tariffs and minimum support price that may impact sales.

Outlook: Stable

Acuite believes that the outlook on SKRKM will remain 'Stable' over the medium term backed by its experienced management. The outlook may be revised to 'Positive' in case the firm registers more than envisaged sales and profitability while improving its working capital cycle. The outlook may be revised to 'Negative' in case of the firm fails to achieve envisaged revenue and profitability and its working capital cycle gets stretched or its financial risk profile deteriorates.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	185.15	122.71	75.26
EBITDA	Rs. Cr.	5.25	3.46	2.78
PAT	Rs. Cr.	1.42	1.03	0.31
EBITDA Margin	(%)	2.84	2.82	3.69
PAT Margin	(%)	0.76	0.84	0.41
ROCE	(%)	8.47	8.34	9.35
Total Debt/Tangible Net Worth	Times	4.49	4.09	1.55
PBDIT/Interest	Times	1.68	1.79	1.65
Total Debt/PBDIT	Times	1.68	1.40	1.65
Gross Current Assets (Days)	Days	113	203	142

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

None

Any other information

Not Applicable

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. Crore)	Ratings/Outlook
12-Jan-2018	Cash Credit	Long Term	11.98 (Enhanced from Rs.9.00 Cr.)	ACUITE BB-/Stable (Reaffirmed)
04-Nov-2016	Cash Credit	Long Term	9.00	ACUITE BB-/Stable (Assigned)
	Term Loan	Long Term	2.98	ACUITE BB-/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 (Enhanced from Rs.11.98 Cr.)	ACUITE BB-/Stable (Reaffirmed)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE BB-/Stable (Assigned)

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About Acuite Ratings & Research:

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