

Press Release

SRI KRISHNA MODERN RICE MILL

February 28, 2018

Rating Assigned



| | |
|-------------------------------------|-----------------------------|
| Total Bank Facilities Rated* | Rs. 18.00 Cr. |
| Long Term Rating | SMERA BB- / Outlook: Stable |

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (**read as SMERA BB minus**) on the Rs. 18.00 crore bank facilities of SRI KRISHNA MODERN RICE MILL. The outlook is '**Stable**'.

Sri Krishna Modern Rice Mill (SKMRM), a Pondicherry based partnership firm was incorporated in the year 1990 by Mr. K. Radhakrishnan, Mr. R. Ravichandran, and Mr. P.R. Yuvaraj. The entity is engaged in the business of milling of parboiled rice. Further the company is also into exporting their products to foreign countries likes US, Australia, Colombo, Singapore, Europe and France.

Key Rating Drivers

Strengths

- **Established track record of operations along with experienced management**

SKMRM was established in the year 1990 as a partnership firm by Mr. K. Radhakrishnan, Mr. R. Ravichandran, and Mr. P.R. Yuvaraj. The promoters have experience of almost three decades in the rice milling business.

- **Proximity to raw materials**

The processing facility of SKMRM is located in Pondicherry, Tamil Nadu which is one of the major rice producing states in India, producing about 74.98 lakh tonnes of rice per year, thus providing proximity to paddy and contributes around 90 percent in the total rice requirement of the company. Further, the firm also procures rice from other neighbouring states like Andhra Pradesh and Karnataka.

Weaknesses

- **Average Financial Risk profile**

The financial risk profile of the company continues to remain moderate marked by low networth, high gearing and low interest coverage ratio. The net worth of the company stands at Rs.8.61 crore as on 31st March, 2017 as against Rs.9.50 crore in the previous year. High gearing of 2.24 times as on March 31st 2017 as against 2.17 times in the previous year. The interest coverage ratio stood at 1.55 times as on FY 2017 as against 1.63 times as on FY 2016.

- **Working Capital intensive nature of operations**

The operations of the company are working capital intensive with gross current asset (GCA) days stands at 205 days in FY 2017 as against 194 days in the previous year. The reason for the same is increase in inventory days to 116 days in FY16-17 to 92 days in FY 2015-16. The debtor days stood at 92 days as on 31st March 2017 as against 103 days in the previous year. Moreover, procurement of the raw material (paddy) mainly white ponni which is seasonal i.e. during the month of November to January leading to high amount of inventory days which stood at 116 for FY 2017 as against 92 days for FY 2016.

- **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. Also the revenue of the company is dependent on the quantum of tenders received from the government.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the firm.

Outlook: Stable

SMERA believes that outlook for SKMRM will remain stable over medium term on the account of management's experience in the rice milling business. The outlook may be revised to Positive if the company achieves higher than expected revenue while maintaining effectively managing its working capital cycle. Conversely, the outlook may be revised to Negative in case of significant deterioration in the financial risk profile

About the Rated Entity - Key Financials

| | Unit | FY17 (Actual) | FY16 (Actual) | FY15 (Actual) |
|-------------------------------|---------|---------------|---------------|---------------|
| Operating Income | Rs. Cr. | 69.96 | 89.62 | 52.32 |
| EBITDA | Rs. Cr. | 2.70 | 2.80 | 2.18 |
| PAT | Rs. Cr. | 0.75 | 0.86 | 0.57 |
| EBITDA Margin | (%) | 3.86 | 3.12 | 4.17 |
| PAT Margin | (%) | 1.07 | 0.95 | 1.10 |
| ROCE | (%) | 8.73 | 10.50 | 9.71 |
| Total Debt/Tangible Net Worth | Times | 1.73 | 2.17 | 1.54 |
| PBDIT/Interest | Times | 1.55 | 1.63 | 1.64 |
| Total Debt/PBDIT | Times | 6.49 | 7.37 | 5.36 |
| Gross Current Assets (Days) | Days | 205 | 194 | 155 |

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

Not applicable

Any other information

Not applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.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. Cr.) | Ratings/Outlook |
|------------------------|------------------|----------------|----------------|-----------------------------|--------------------|
| Long Term (Proposed) | Not Applicable | Not Applicable | Not Applicable | 4.00 | SMERA BB- / Stable |
| Cash Credit | Not Applicable | Not Applicable | Not Applicable | 14.00 | SMERA BB- / Stable |

Contacts

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