

Press Release

Shree Shakambari Rice Mill Private Limited

January 24, 2019

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 20.00 Cr.
Long Term Rating	ACUITE BB+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE BB+**' (**read as ACUITE double B plus**) to the Rs. 20.00 crore bank facilities of Shree Shakambari Rice Mill Private Limited (SSRM). The outlook is '**Stable**'.

SSRM was established in 2006. In 2013, the promoters of Aadhar Rice Mill Private Limited (ARMPL) acquired SSRM. The company is engaged in processing of Basmati and Non-Basmati Rice. The company has installed capacity of 16 TPH. It procures paddy from Bihar, Jharkhand, and Uttar Pradesh and sells rice in the state of Jharkhand, Bihar, Haryana, Karnataka and Andhra Pradesh.

Analytical Approach

Acuité has consolidated the financial and business risk profiles of ARMPL and SSRM, together referred to as the Aadhar Group, on account of high operational fungibility between the entities and common ownership. Extent of Consolidation: Full.

Key Rating Drivers

Strengths

- **Experienced management**

SSRM has presence of over a decade in the rice industry. The group is led by Mr. Ram Prakash Agarwal, Mr. Rajnish Kumar and Mr. Satyadeo Roy who have experience of more than a decade in the same line of business. The experience of promoters has helped the group to develop healthy relations with its suppliers and customers.

- **Moderate financial risk profile**

The group has moderate financial risk profile as marked by net worth of Rs.26.58 crore in FY2018 as compared to Rs.21.27 crore in the previous year. Gearing of the group, as shown by debt-equity ratio, stood moderate at 1.71 times in FY2018 as against 2.04 times in the previous year. The total debt of Rs.45.36 crore as on 31 March, 2018, consists of short term working capital facility of Rs.44.34 crore, long term debt of Rs.0.56 crore and the balance is in the form of unsecured loan. Interest Coverage Ratio (ICR) stood at 2.61 times in FY2018, an increase from 1.64 times in the previous year, as a result of increased EBITDA margins. TOL/TNW of the group is moderate at 1.85 times in FY2018 against 2.25 times in the previous year.

Weaknesses

- **Intensive working capital cycle**

The group has intensive working capital cycle as marked by Gross Current Asset (GCA) days of 129 in FY2018 as compared to 137 in the previous year. This is mainly on account of increased receivable period from 21 days in FY2017 to 38 days in FY2018 vis-à-vis payable period which has come down to 9 days in FY2018 from 13 days a year ago. Inventory holding too is significantly high at about 96 days in FY2018 against 114 days in the previous year. This has led to stretch in liquidity requirements of the company, resultant of which the Cash Credit (CC) facility of Rs.20.00 crore remains almost fully utilised during the year.

- **Highly fragmented and competitive nature of business**

The agro processing industry is highly competitive and fragmented with several organised and unorganised players. The intense competition and low value addition in the agro processing industry results in low operating margins.

Liquidity Position

The group has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The group had cash accruals of Rs.5.23 crore in FY2018, while the maturing debt obligations were in the range of Rs.0.30-0.56 crore over the same period. The cash accruals of the group are estimated to remain around Rs.5.00-6.00 crore during 2019-21.

The company's operations are moderately working capital intensive as marked by gross current asset (GCA) days of 118 in FY 2018. This has led to higher reliance on working capital borrowings, the cash credit limit in the group remains utilised at ~95 percent during the last 12 months period ended December 2018. The current ratio of the group stood healthy at 1.26 times as on March 31, 2018. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy cash accrual and no major repayments over the medium term.

Outlook: Stable

Acuité believes that the group will continue to maintain a 'Stable' outlook over the medium term owing to the experience of its management and moderate financial risk profile. The outlook may be revised to 'Positive', if the group achieves sustained improvement in profit margins while maintaining healthy revenue growth. Conversely, the outlook may be revised to 'Negative' in case of steep decline in revenues, profit margins or deterioration in the capital structure or coverage indicators.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	172.25	149.52	133.67
EBITDA	Rs. Cr.	9.06	6.43	6.66
PAT	Rs. Cr.	3.30	0.77	0.44
EBITDA Margin	(%)	5.26	4.30	4.98
PAT Margin	(%)	1.92	0.52	0.33
ROCE	(%)	11.17	7.67	16.43
Total Debt/Tangible Net Worth	Times	1.71	2.04	1.88
PBDIT/Interest	Times	2.61	1.64	1.52
Total Debt/PBDIT	Times	4.76	6.50	5.51
Gross Current Assets (Days)	Days	129	137	150

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

Not Applicable

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. Cr.)	Ratings/Outlook
16-Mar-2018	Cash Credit	Long Term	20.00	ACUITE BB+ / Stable (Reaffirmed)
14-Feb-2018	Cash Credit	Long Term	20.00	ACUITE BB+ (Indicative)
17-Jan-2017	Cash Credit	Long Term	20.00	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	20.00	ACUITE BB+ / Stable (Reaffirmed)

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About Acuité Ratings & Research:

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