

Press Release

Shree Shakambari Rice Mill Private Limited

April 08, 2020



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 its long-term rating of 'on **ACUITE BB+** (read as ACUITE double B plus) the Rs.20.00 crore bank facilities of SHREE SHAKAMbari RICE MILL PRIVATE LIMITED. The outlook is '**Stable**'.

About the Company

Shree Shakambari Rice Mill Private Limited (SSRM) was incorporated in 2006 and then in 2013 the company was acquired by the promoters of Aadhar Rice Mill Private Limited (ARPL). The company is promoted by Mr. Praveen Agarwral, Mr. Rajnish Kumar, and Mr. Anish Kumar and is engaged in the processing of basmati and non-basmati rice mill. SSRM has an installed capacity of 16 TPH with a capacity utilization of around 90 percent.

About the Group

The group consists of Shree Shakambari Rice Mill Private Limited (SSRM) and Aadhar Rice Mill Private Limited. Both the companies are engaged in processing of basmati and non-basmati rice.

Analytical Approach

For arriving at its rating, Acuité has consolidated the business and financial risk profile of Shree Shakambari Rice Mill Private Limited and Aadhar Rice Mill Private Limited, together referred to as the Aadhar Group (AG) on the account of similarity in the line of business, operational fungibility and common management. Extent of Consolidation: Full

Key Rating Drivers

Strengths

• Experienced Management and long track record of Operations

The promoters of the company, Mr. Praveen Agarwral, Mr. Rajnish Kumar, and Mr. Anish Kumar have an extensive experience in the rice industry which has helped the company to maintain strong relations with its customers as well as with its suppliers. Further, having more than a decade of operational track record has helped the company to establish strong market position.

Acuité believes that the management experience and strong relations with its customers and suppliers will benefit the company over the medium term.

• Above average financial risk profile

The financial risk profile of the group is above average marked by moderate net worth, average gearing and debt protection metrics. The net worth of the group stood at Rs.23.50 crore as on 31 March, 2019 as against Rs.22.30 crore as on 31 March, 2018. The gearing (debt-equity) of the group stood average at 1.92 times as on 31 March, 2019 as against 2.12 times as on 31 March, 2018 and TOL/TNW (Total outside liabilities-total net worth) stood at 2.29 times as on 31 March, 2019 as against 2.40 times as on 31 March, 2018. The total debt of Rs.45.24 crore as on 31 March, 2019 consist of long –term debt of Rs.0.51 crore, unsecured loans of Rs.1.45 crore and working capital borrowings of Rs.43.28 crore. The interest coverage ratio (ICR) stands at 1.67 times in FY2019 and DSCR stood at 1.68 times in FY2019. Debt-EBITDA stands high at 6.66 times in FY2019 as against 6.26 times in the previous year.

Weaknesses

- **Working capital intensive nature of operations**

The operations of AG are working capital intensive marked by Gross Current Assets (GCA) of 134 days in FY2019 as against 130 days in FY2018. This is majorly on the account of debtors' collection period of 30 days in FY2019 as against 31 days in the previous year and inventory holding period of 103 days in FY2019 as against 95 days in the previous year. Current ratio of the group stood at 1.25 times as on 31 March, 2019 as against 1.18 times as on 31 March, 2018.

- **Highly competitive and fragmented industry with high agro climatic risk**

The agro processing industry is highly competitive and fragmented with several organized and unorganized players. The intense competition and low value addition in the agro processing industry results in low operating margins. Further, paddy, the main raw material required for rice milling is a seasonal crop and production of the same is highly dependent upon the monsoon. Thus, inadequate rainfall may affect the availability of paddy in adverse weather conditions which will in turn impact the financial risk profile of the group.

Rating Sensitivities

- Significant improvement in the operations and profitability of the group.
- Deterioration in working capital cycle and liquidity profile of the group.

Material Covenants

None

Liquidity Profile: Adequate

The group has adequate liquidity marked by average net cash accruals to its maturing debt obligations. AG has generated cash accruals of Rs.2.76 crore in FY2019 against Rs.0.05 debt obligations for the same period. The cash accruals of the group are estimated to remain in the range of around Rs.2.70 crore to Rs.3.17 crore during FY2020-22 against repayment obligations of Rs.0.15 crore for the same period. However, the operations are working capital intensive marked by GCA of 134 days in FY2019. The group maintained unencumbered cash and bank balances of Rs.1.00 crore as on 31 March 2019. The current ratio stood low at 1.25 times as on 31 March 2019.

Acuite believes that the liquidity of the group is likely to remain adequate over the medium term on account of average cash accruals against no major debt repayments over the medium term.

Outlook: Stable

Acuite 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	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	173.89	171.30
PAT	Rs. Cr.	1.08	1.82
PAT Margin	(%)	0.62	1.06
Total Debt/Tangible Net Worth	Times	1.92	2.12
PBDIT/Interest	Times	1.67	2.06

Status of non-cooperation with previous CRA:

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>

- Consolidation of Companies - <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
24-Jan-2019	Cash Credit	Long Term	20.00	ACUITE BB+ / Stable (Reaffirmed)
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. Crore)	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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