

Press Release

Shree Shakambari Rice Mill Private Limited

June 03, 2022



Rating Downgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	20.00	ACUITE BB Stable Downgraded	-
Total Outstanding Quantum (Rs. Cr)	20.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

* Refer Annexure for details

Rating Rationale

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

Rationale for rating downgrade:

The downgrade revision in the rating reflects the deterioration in the revenues in FY2021 due to the impact of covid-19, consistent decline in the operating margins over the last three years in FY2019-21, average financial risk profile marked by deteriorating gearing & TOL/TNW and moderate debt protection metrics and intensive working capital operations marked by high inventory days.

Acuite believes that the ability of the group to improve its financial risk profile going forward will be a key rating sensitivity.

About Company

Kolkata-based, 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. Anish Kumar and Mr. Rajnish 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

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

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 and operational fungibility.

Key Rating Drivers

Strengths

>Experienced management and long track record of operations

The promoters of the group, Mr. Anish Kumar, Mr. Rajnish Kumar, Mr. Praveen Agarwal and Mr. Vikash Agarwal have an extensive experience in the rice industry which has helped the group 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 group to establish strong market position. The group has achieved a turnover of Rs.183.07 crore for FY2022 as understood from the monthly sales. SSRML has orders in hand worth Rs.3-4 crore (1000 tons) as on date which is expected to be executed in 10-12 days and ARPL has orders in hand worth Rs.3-4 crore which is expected to be executed in 15 days. These are repeat orders. This gives adequate revenue visibility over the medium term.

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

Weaknesses

>Average financial risk profile

Financial risk profile of the group is average marked by deteriorating gearing (debt to equity ratio) & total outside liabilities to total net worth (TOL/TNW), and moderate debt protection metrics. The gearing stood at 1.98 times as on March 31, 2021 against 1.54 times as on March 31, 2020. TOL/TNW stood at 2.11 times as on March 31, 2021 against 1.91 times as on March 31, 2020. Tangible net worth of the group stood modest at Rs.25.58 crore as on March 31, 2021 against Rs.24.70 crore as on March 31, 2020. Of the total debt of Rs.50.74 crore as on March 31, 2021, long-term debt stood at Rs.2.72 crore, short-term debt stood at Rs.39.04 crore, unsecured loans stood at Rs.7.78 crore and CPLTD stood at Rs.1.20 crore. Debt protection metrics of interest coverage ratio and net cash accruals to total debt stood moderate at 1.82 times and 0.05 times respectively in FY2021; while DSCR stood at 1.75 times in FY2021.

Acuité believes that the group's ability to maintain and improve the financial risk profile over the medium term will be a key rating sensitivity.

>Working capital intensive operations

The group's working capital operations are intensive marked by Gross Current Asset days (GCA) of 145 days in FY2021 against 123 days in FY2020. This is majorly due to high inventory days due to impact of covid-19. The inventory days stood at 106 days in FY2021 against 83 days in FY2020. The group maintains an inventory holding policy of 30 days. The debtors' days improved and stood at 34 days in FY2021 against 36 days in FY2020. The credit period given to customers is around 30 days. The creditors' days also improved and stood at 9 days in FY2021 against 21 days in FY2020. The group enjoys a credit period of around 7 days from their suppliers. However, working capital limits remains utilized at 70-90 percent for last 6 months ended April, 2022.

Acuité believes that the group's ability to maintain its working capital efficiently will remain critical to maintain a stable credit profile.

>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

- Growth in revenue with sustainability of the profitability margins.
- Any deterioration of its financial risk profile and liquidity position.
- Any elongation of the working capital cycle leading to deterioration in debt protection metrics.

Material Covenants

None

Liquidity Position: Adequate

The group has an adequate liquidity position as reflected by adequate net cash accruals against moderate repayment obligations. The group generated cash accruals in the range of Rs.2.61 crore – Rs.2.76 crore during the last three years through FY2019-21 against moderate repayment obligations in the range of Rs.0.10 crore – Rs.1.20 crore during the same period. It is expected to generate cash accruals in the range of Rs.3.46 crore – Rs.6.54 crore over the medium term, against moderate repayment obligations in the range of Rs.0.40 crore – Rs.1.10 crore. Unencumbered cash and bank balances stood at Rs.1.24 crore as on March 31, 2021 with a current ratio of 1.56 times in the same period. Liquid investments stood at Rs.1.88 crore as on March 31, 2021. However, working capital limits remains utilized at 70-90 percent for last 6 months ended April, 2022.

Acuité believes that liquidity profile is expected to remain adequate on account of adequate cash accruals against moderate repayment obligations.

Outlook: Stable

Acuité believes that the group will maintain a 'Stable' outlook over the medium term owing to its experienced management and long track record of operations. The outlook may be revised to 'Positive' if the group demonstrates substantial and sustained growth in its revenues from the current levels while maintaining its margins. Conversely, the outlook may be revised to 'Negative' in case the group registers lower than expected growth in revenues and profitability or deterioration in its working capital management or larger-than-expected debt-funded capex leading to deterioration in its financial risk profile and liquidity.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	168.12	180.38
PAT	Rs. Cr.	1.23	1.20
PAT Margin	(%)	0.73	0.67
Total Debt/Tangible Net Worth	Times	1.98	1.54
PBDIT/Interest	Times	1.82	1.68

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

Not Applicable

Any Other Information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>

Note on Complexity Levels of the Rated Instrument

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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
02 Jul 2021	Cash Credit	Long Term	20.00	ACUITE BB+ (Issuer not co-operating*)
08 Apr 2020	Cash Credit	Long Term	20.00	ACUITE BB+ Stable (Reaffirmed)
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+ (Issuer not co-operating*)
17 Jan 2017	Cash Credit	Long Term	20.00	ACUITE BB+ Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
IDBI Bank Ltd.	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE BB Stable Downgraded (from ACUITE BB+)

- WCDL is sublimit of CC to the extent of Rs.10.00 crore.

Note: The Company also avails Warehouse Receipt Finance of Rs.10.00 crore as mentioned in the Sanction Letter.

Contacts

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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