



**Press Release**  
**Shree Shakambari Rice Mill Private Limited**  
**August 16, 2023**  
**Rating Reaffirmed**

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

**Rating Rationale**

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

**Rationale for rating reaffirmation**

The rating reaffirmation takes into account the steady business risk profile of the company reflected by increasing revenue from its operations to Rs.151.72 Cr in FY2023 as compared to Rs. 109.70 Cr. in FY2022. The rating also factors the management's extensive experience in the industry. The rating also takes into account the average financial risk profile with low net worth, high gearing and comfortable debt protection matrices. However, these strengths are partially offset by working capital intensive nature of operations, Challenging Landscape of Intense Competition and Varied Agro Climatic Exposure.

**About the Company**

Established in 2006, Shree Shakambari Rice Mill Private Limited (SSRMPL) is situated in Kolkata and specializes in processing both Basmati and Non-Basmati Rice. The company is presently endorsed by Mr. Rajnish Kumar and Mr. Anish Kumar. Sourcing paddy from Bihar, Jharkhand, and Uttar Pradesh, the company operates with an installed capacity of 16 TPH, achieving a utilization rate of approximately 87.50 percent.

**Analytical Approach**

Acuite has considered the standalone business and financial risk profile of SSRMPL while arriving at the rating.

**Key Rating Drivers**

**Strengths**

- **Steady business operations and experienced management**

Mr. Anish Kumar and Mr. Rajnish Kumar, the company's promoters, possess extensive experience in the rice industry. This expertise has enabled the company to maintain strong relationships with both customers and suppliers. With over a decade of operational history, the company has successfully established a robust market position.

The revenue of the company stood moderate at Rs.151.72 Cr in FY2023 as compared to Rs. 109.70 Cr. in FY2022. This increase in revenue is primarily due to higher average realization resulting from the demand for Rice during the period. Despite holding pending orders, the

execution of these orders depends on fluctuations in raw material prices. Acuite believes that the revenue of the company will increase on account of increase in the ongoing demand in

the market, thus providing moderate revenue visibility over the medium term.

However, the profitability of the company witnessed deterioration in last three years as reflected by decline in operating profit margin to 1.67 percent in FY2023 as against 2.12 percent in FY2022 and 2.17 per cent in FY2021. This decline is majorly on account of increase in the raw material cost. The primary raw material, paddy, necessary for rice milling, is a seasonal crop heavily reliant on the monsoon for production. On the other hand, the company reported net profitability margin of 0.84 per cent in FY2023 as compared to 0.77 per cent in FY2022. Acuité believes the profitability margin of the company will be improved at healthy levels over the medium term on account of availability of raw material.

### **Weaknesses**

- **Average financial risk profile**

The financial risk profile of the company is average marked by moderate net worth, high gearing and comfortable debt protection metrics. The tangible net worth of the company stood at Rs.17.15 Cr as on March 31, 2023 as compared to Rs.15.85 Cr.as on March 31, 2022. This improvement in networth is mainly due to the retention of current year profits in reserves. The gearing of the company stood high at 2.06 times as on March 31, 2023. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 2.74 times as on March 31, 2023. The debt protection matrices of the company remain comfortable marked by Interest coverage ratio (ICR) of 2.06 times and debt service coverage ratio (DSCR) of 2.05 times for FY2023. The net cash accruals to total debt (NCA/TD) stood healthy at 0.06 times in FY2023. Going forward, Acuité believes the financial risk profile of the company will remain average on account of steady net cash accruals owing to stable profitability margins with no major debt funded capex plan over the near term.

- **Working capital intensive nature of operation**

The operation of the company is working capital intensive marked by high albeit improving gross current asset days of 138 days for FY2023 as compared to 152 days for FY2022. The high GCA days are mainly on account of high inventory days. The inventory days of the company stood at 101 days in FY2023 as compared to 112 days in FY2022. However, the debtor days of the company stood at 26 days for FY2023 as against 34 days for FY2022. Acuité believes that the working capital operations of the firm will remain at the similar levels over the medium term.

- **Challenging Landscape of Intense Competition and Varied Agro Climatic Exposure**

In the agro processing sector, numerous organized and unorganized participants contribute to a competitive and fragmented landscape. The industry's fierce rivalry, coupled with minimal value addition, leads to diminished operating margins. Additionally, paddy, the essential raw material for rice milling, relies heavily on the monsoon, making its production seasonal. Consequently, insufficient rainfall can disrupt paddy availability during unfavorable weather, thereby influencing the group's financial risk exposure.

### **Rating Sensitivities**

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

### **Material covenants**

None

### **Liquidity Position Stretched**

The company has stretched liquidity marked by high working capital bank limit utilisation of the company has been ~97.33 percent during the last six months ended in July 2023. The high utilisation is majorly on account of working capital intensive nature of operations marked by high albeit improving gross current asset days of 138 days for FY2023 as compared to 152 days for FY2022. However, the adequate net cash accruals of Rs.2.11 Cr. as on March 31, 2023 as against nil long term debt obligations over the same period. The current ratio of the company stood comfortable at 1.39 times in FY2023. The cash and bank balance stood at Rs. 1.44 Cr for FY 2023. Acuité believes that the liquidity of the company is likely to remain stretched over the medium term on account of high utilisation of working capital limits majorly on account of working capital intensive nature of operations.

#### **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.

#### **Other Factors affecting Rating**

Not Applicable

## Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	151.72	109.70
PAT	Rs. Cr.	1.28	0.84
PAT Margin	(%)	0.84	0.77
Total Debt/Tangible Net Worth	Times	2.06	1.89
PBDIT/Interest	Times	2.06	1.83

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

Not Applicable

### Any other information

Not Applicable

### Applicable Criteria

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

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
03 Jun 2022	Cash Credit	Long Term	20.00	ACUITE BB   Stable (Downgraded from ACUITE BB+)
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)

## Annexure - Details of instruments rated

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

## Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 <a href="mailto:aditya.gupta@acuite.in">aditya.gupta@acuite.in</a>  Dipti Choudhary Analyst-Rating Operations Tel: 022-49294065 <a href="mailto:dipti.choudhary@acuite.in">dipti.choudhary@acuite.in</a>	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>

### 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.

**Disclaimer:** An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.acuite.in](http://www.acuite.in)) for the latest information on any instrument rated by Acuité.