

Press Release

Balaji Rice Industries

February 27, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 9.28 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. 9.28 crore bank facilities of Balaji Rice Industries. The outlook is '**Stable**'.

Established in 1988 by Mr. Pramod and Mr. Prakash Agrawal, Balaji Rice Industries (BRI) is engaged in the processing, milling and sorting of non-basmati rice. The firm has two milling units with installed capacity of 6 mtph and 8mtph and has also recently set up a processing unit with installed capacity of 8mtph. The products are sold under the 'Natraj' and 'Maharaja' brand names.

Key Rating Drivers

Strengths

• Experienced promoters

The partners, Mr. Pramod Agrawal and Mr. Prakash Agrawal have over two decades of experience in the said line of business. The second generation has also been taking active interest in the day-to-day operations.

• Robust revenue growth

BRI has registered significant growth in operating income over the past four years. The firm registered operating income of Rs.51.99 cr in FY2016 as against Rs.25 cr in FY2015 and Rs.14.63 cr in FY2014. During FY2013 to FY2015, the firm registered CAGR of 52.60 per cent mainly due to increase in the quantum of orders. BRI has also undertaken job work for processing of rice for the government.

• Proximity to raw material source

The processing facility of BRI is located at Raipur, Chhattisgarh which offers proximity to raw material (paddy) sources.

• Moderate financial risk profile

The debt-equity ratio has been 1.59 in FY2016 as against 2.90 in the previous year. The interest coverage ratio stood at 3.07 times in FY2016 as against 2.83 times in FY2015. The DSCR stood at 1.08 times in FY 2016. SMERA believes BRI will maintain a comfortable financial risk profile over the medium term.

• Comfortable working capital cycle

The firm's working capital cycle is comfortable with debtor days of 28 and creditor days of 7 for FY2015. The GCA days stood at 36 days for FY2016. Further, the bank limit utilisation has been in the range of ~60-70 per cent for the last six months.

Weaknesses

• Low value additive business and thin net margins

BRI registered thin net profit margins of 0.24 per cent in FY2016 due to the low value additive rice processing business. However, it is expected to improve going further as the firm undertakes job work contracts for the government.

• Competitive and fragmented nature of rice and wheat processing business

The industry is highly competitive with low entry barriers resulting in intense competition from the organised as well as the unorganised sector.

• Agro climatic risks

Paddy, which is the main raw material required for rice 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.

Analytical Approach

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

Outlook: Stable

SMERA believes that the outlook for BRI will remain Stable over the medium term owing to its experienced promoters. The outlook may be revised to Positive if the firm achieves improvement in revenues and profit margins, improving its capital structure and coverage indicators. Conversely, the outlook may be revised to Negative in case of lower than expected revenues and profitability or deterioration in the capital structure.

About the Rated Entity - Key Financials

For FY2015-16, the firm reported profit after tax (PAT) of Rs.0.13 cr on operating income of Rs.51.99 cr, as compared with net profit of Rs.0.04 cr on operating income of Rs.25.00 cr in FY2014-15. The net worth stood at Rs. 2.70 cr as on March 31, 2016 as compared with Rs.1.75 cr a year earlier.

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.50	SMERA BB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.26	SMERA BB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.09	SMERA BB- / Stable

Term loans	Not Applicable	Not Applicable	Not Applicable	0.43	SMERA BB- / Stable
------------	----------------	----------------	----------------	------	--------------------

Contacts

Analytical	Rating Desk
Vinayak Nayak Head – Ratings Operations Tel: 022-67141190 vinayak.nayak@smera.in	Varsha Bist Sr. Executive Tel: 022-67141160 varsha.bist@smera.in
Sheetal Patankar Rating Analyst Tel: 022-67141153 sheetal.patankar@smera.in	

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, D&B and leading public and private sector banks in India. SMERA is registered with SEBI, accredited by RBI as an External Credit Assessment Institution (ECAI), under BASEL-II norms for undertaking Bank Loan Ratings. SMERA Bond Ratings is a division of SMERA Ratings Limited responsible for ratings of bank facilities, and capital market/money market debt instruments such as Bonds, Debentures, Commercial Papers, Fixed Deposits, Certificate of Deposits etc.. For more details, please visit www.smera.in.

Disclaimer: A SMERA 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. SMERA ratings 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, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA 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. SMERA ratings 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.smera.in) for the latest information on any instrument rated by SMERA.