

Press Release

Balaji Rice Industries

02 January, 2018



Rating Withdrawn and Assigned

Total Bank Facilities Rated*	Rs. 20.00 Cr (Enhanced from Rs. 9.28 crore)
Long Term Rating	SMERA BB-/Stable

*Refer Annexure for details

SMERA has withdrawn the long term rating of '**SMERA BB-**' (read as **SMERA double B minus**) on the Rs. 9.28 crore bank facilities of Balaji Rice Industries (BRI) and assigned long term rating of '**SMERA BB-**' (read as **SMERA double B minus**) on the Rs. 20.00 crore bank facilities. The outlook is '**Stable**'.

Balaji Rice Industries (BRI) was established in 1988 as a partnership firm by Mr. Pramod and Mr. Prakash Agrawal. The second generation entrepreneur, Mr. Abhinav Agrawal manages the day-to-day operations of the business. The firm is engaged in the processing, milling and sorting of non-basmati rice. The firm operates locally under the brand name of 'Natraj' and 'Maharaja'. BRI has two milling units at Raipur, Chhattisgarh with installed capacity of 6mtph for processing and 8mtph for milling and sorting. The firm also exports to West Africa, Senegal, Singapore, Switzerland and Costa Rica.

List of key rating drivers

Established track record of operations and experienced promoters

The firm was established in 1988 and is engaged in the processing of non-basmati rice. The partners, Mr. Pramod Agrawal and Mr. Prakash Agrawal are engaged in the said line of business for more than three decades. The firm has its own brand name of 'Natraj' and 'Maharaja'.

Significant growth in revenues

The revenues have grown significantly during the period FY2015 to FY2017 and stood at Rs. 73.59 crore in FY2017 as against Rs. 51.99 crore in FY2016 and Rs. 25.00 crore in FY2015 on account of addition of customers - mainly Ameropa, Capezzana Shipping, Olam International Limited to name a few. The firm began exports from FY2016.

Comfortable working capital cycle

The working capital cycle of BRI is comfortable marked by Gross Current Asset (GCA) days of 77 in FY2017 as against 36 in FY2016. This is majorly on account of low inventory holding period of four days in FY2017 as against seven days in FY2016. The creditor days stood at 12 in FY2017 as against seven in FY2016. The average bank limit utilisation stood at ~38 percent for the last six months ended November 2017.

Weaknesses

Average financial risk profile with moderate coverage indicators

The financial risk profile has remained average marked by net worth of Rs. 3.97 crore as on 31 March, 2017 as against Rs.2.70 crore as on 31 March, 2016. The gearing stood at 2.57 times as on 31 March, 2017 as

against 1.59 times as on 31 March, 2016. The total debt of Rs.10.21 crore outstanding as on 31 March, 2017 comprises Rs. 0.12 crore of term loan from the bank, Rs. 3.21 crore of unsecured loan from partners and Rs. 6.88 crore of working capital limit from the bank. The Interest Coverage Ratio stood moderate at 2.17 times in FY2017 as against 3.07 times in FY2016. The Debt Service Coverage Ratio (DSCR) stood at 1.17 times in FY2017 as against 1.08 times in FY2016. The net cash accruals stood at Rs. 0.55 crore in FY2017 as against Rs. 0.56 crore in FY2016.

Low value additive business resulted in thin net margins

The profitability margins have been thin during the period FY2015 to FY2017. The EBITDA margins stood at 1.26 percent in FY2017 as against 1.29 percent in FY2016. The PAT margins stood thin at 0.25 percent in FY2017 and 0.24 percent in FY2016 majorly on account of low value additive nature of business.

Competitive and fragmented rice processing business

This business is highly competitive due to low entry barriers resulting in intense competition from both, the organised as well as unorganised players.

Agro climatic risks

Paddy, 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 profile of BRI to arrive at the rating.

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smerra.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smerra.in/criteria-complexity-levels.htm>

Outlook – Stable

SMERA believes that the firm will maintain a stable outlook on the back of its management's extensive experience in the rice milling business. The outlook may be revised to 'Positive' in case of improvement in profitability and capital structure while improving the scale of operations. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial profile.

About the Rated Entity – Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	73.59	51.99	25.00
EBITDA	Rs. Cr.	0.93	0.67	0.67
PAT	Rs. Cr.	0.18	0.13	0.04
EBITDA Margin	(%)	1.26	1.29	2.66
PAT Margin	(%)	0.25	0.24	0.15
ROCE	(%)	6.19	5.78	8.23

Total Debt/Tangible Net Worth	Times	2.57	1.59	2.90
PBDIT/Interest	Times	2.17	3.07	2.83
Total Debt/PBDIT	Times	10.00	5.14	7.34
Gross Current Assets (Days)	Days	77	36	59

Status of non-cooperation with previous CRA (if applicable): None

Any other information: None

Rating History for the last three years:

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
27-Feb-2017	Cash Credit	Long Term	8.50	SMERA BB- / Stable (Assigned)
	Term loan	Long Term	0.26	SMERA BB- / Stable (Assigned)
	Term loan	Long Term	0.09	SMERA BB- / Stable (Assigned)
	Term loan	Long Term	0.43	SMERA 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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.50	SMERA BB-/Stable (Withdrawn)
Term loan	Not Applicable	Not Applicable	Not Applicable	0.26	SMERA BB-/Stable (Withdrawn)
Term loan	Not Applicable	Not Applicable	Not Applicable	0.09	SMERA BB-/Stable (Withdrawn)
Term loan	Not Applicable	Not Applicable	Not Applicable	0.43	SMERA BB-/Stable (Withdrawn)
Proposed Export Packing credit	Not Applicable	Not Applicable	Not Applicable	20.00*	SMERA BB-/Stable (Assigned)

*Fully interchangeable with CC, PCFC, Includes sublimit of Rs. 10.00 crores as Bank guarantee.

Contacts:

Analytical	Rating Desk
Vinayak Nayak, Head – Ratings Operations Tel: +91-22-6714 1190 Email: vinayak.nayak@smera.in	Varsha Bist Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in
Namita Palve, Rating Analyst, Tel: +91-22-6714 1129 Email: namita.palve@smera.in	

ABOUT SMERA

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