

Press Release

Puran Chand Rice Mills Private Limited

March 18, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 30.00 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable
Short Term Rating	SMERA A4+

** Refer Annexure for details*

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (read as **SMERA BB minus**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 30.00 crore bank facilities of Puran Chand Rice Mills Private Limited. The outlook is '**Stable**'.

Puran Chand Rice Mills Private Limited (PCRM), incorporated in 1984 as a proprietorship firm by Mr Naveen Gupta was converted to a private limited company in 2009. The company is engaged in the milling and processing of basmati and non-basmati rice at Haryana and has an installed milling capacity of 200 mt per day. The company procures the key raw material, i.e. paddy from Haryana, M.P, Rajasthan and Uttar Pradesh and after processing, exports its products to the Middle East and also sells in India. PCRM is led by Mr. Rushil Gupta, Mr. Ashit Gupta (Son of Mr Naveen Gupta) and Mrs. Suman Gupta.

Key Rating Drivers

Strengths

- **Experienced management**

The promoters, Mr. Rushil Gupta, Mr. Ashit Gupta (son of Mr Naveen Gupta) and Mrs. Suman Gupta possess extensive experience in the rice milling industry for around two decades.

- **Comfortable working capital**

The firm has had comfortable working capital cycle of 36 days in FY2015-16 against 25 days in FY2014-15. The company has comfortable liquidity profile as average bank limit utilisation stood at 68 percent.

Weaknesses

- **Financial risk profile marked by high gearing and low profitability**

The company has high gearing at 2.86 times in FY2015-16 against 2.85 times in FY2014-15. The profit margin is low and stood at 0.17 per cent in FY2015-16 against 0.12 per cent in FY2014-15. The operating margin declined to 2.32 per cent in FY2015-16 against 3.05 per cent in FY2014-15. The revenue fell to Rs.104.92 cr in FY2015-16 against Rs.147.95 cr in FY2014-15.

- **Susceptibility of profit margins to exchange rate fluctuations**

The profit margins are susceptible to fluctuations in the prices of paddy and forex rates since the company exports its products to Saudi Arabia, Dubai, Iran and Yemen.

- **Intense competition**

The firm faces intense competition from various players in India and overseas which is likely to have an impact on its operating performance and profitability.

Analytical Approach

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

Outlook: Stable

SMERA believes that the company will maintain a stable outlook in the medium term owing to the management's extensive experience in the rice milling business. The outlook may be revised to 'Positive' in case of sustained increase and improvement in revenue, profitability and debt service coverage. Conversely, the outlook may be revised to 'Negative' in case of decline in revenue or if the company takes on any large debt funded capex.

About the Rated Entity - Key Financials

For FY2015-16, the company reported profit after tax (PAT) of Rs.0.17 cr on operating income of Rs.104.92 cr, as compared with PAT of Rs.0.18 cr on operating income of Rs.147.95 cr in FY2014-15. The net worth stood at Rs.4.85 cr as on March 31, 2016 against Rs.4.68 cr in the previous year.

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

None

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. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA BB- / Stable
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	26.00	SMERA A4+
Letter of credit	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA A4+

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
Pradeep Kumar Bharti	

Rating Analyst Tel: 011-49731301 pradeep.bharti@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.*