

Press Release

23 March, 2017

B B International

Rating Assigned

Total Bank Facilities Rated *	Rs.8.50 Cr.
Long Term Rating	SMERA B/ Outlook: Stable

Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B**' (read as **SMERA B**) on the Rs. 8.50 crore bank facilities of B B International. The outlook is '**Stable**'.

The Karnal-based, B.B. International (BBI) a partnership firm incorporated in 1997 is engaged in rice milling (basmati) and has installed capacity of 8-10 tonnes per hour. The firm also undertakes job work for other firms. B B International is led by Partners, Mr. Devender Mittal and Mr. Praveen Mittal who possess experience of around two decades in the rice milling industry.

Key Rating Drivers

Strengths

- **Experienced partners**

Mr. Devender Mittal and Mr. Praveen Mittal have over two decades of experience in the rice milling business which enabled them to develop long term relations with customers.

- **Proximity to rice growing areas**

BBI is located at Karnal, Haryana which offers proximity to raw material - rice considering that the region has several rice mandi's at Delhi, Haryana, Uttar Pradesh and Rajasthan. The firm purchases rice from local areas as also from commission agents.

Weaknesses

- **Small scale of operations**

The firm has long track record of operations of more than a decade. However, the operating income of the firm is low at Rs.8.10 cr in FY2015-16 as compared to Rs.5.45 crore in FY2014-15.

- **Weak financial risk profile**

The firm has weak financial risk profile marked by high gearing and low networth. The gearing of the firm stood at 1.85 times as on March 31, 2016 against 2.48 percent in FY2014-15. Moreover, the networth of the firm stood low at Rs.1.12 cr in FY2015-16 against Rs.1.05 cr in FY2014-15. The operating margin stood at 10.77 per cent in FY2015-16 against 14.41 per cent in FY2014-15. The net profit margin of the firm declined to 1.45 percent in FY2015-16 as against the net profitability margin of 1.91 percent in FY2014-15.

- **Competitive and fragmented industry**

Rice milling is a highly competitive industry due to low entry barriers which results in intense competition from both - the organised as well as unorganised players.

- **Agro climatic risks**

Paddy, which is the main raw material required for rice milling is a seasonal crop and production of the same is highly dependent upon monsoon. Thus, inadequate rainfall may affect the availability of paddy in adverse weather conditions.

Analytical Approach

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

Outlook: Stable

SMERA believes that the firm will maintain a stable outlook owing to the management's extensive experience in the rice milling business and established relationships with customers. The outlook may be revised to Positive in case of sustained increase in revenue and accruals while improving its working capital cycle. Conversely, the outlook may be revised to Negative in case of significant decline in capital structure or deterioration of the financial risk profile.

About the Rated Entity - Key Financials

In FY2015-16 the firm achieved operating income of Rs.8.10 cr with Profit After Tax (PAT) of 0.12 cr as compared to operating income of Rs. 5.45 cr with PAT of 0.10 cr a year earlier. The networth of the firm stood at Rs.1.12 cr in FY2015-16 as compared to Rs.1.05 cr a year earlier.

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
Overdraft	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA B / Stable
Warehouse Receipt	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA B / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	1.50	SMERA B / Stable

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ABOUT SMERA

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