

Press Release

Shiv Shakti Rice Mills

April 20, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 15.00 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 plus**) on the Rs. 15.00 crore bank facilities of Shiv Shakti Rice Mills. The outlook is '**Stable**'.

The Punjab-based, Shiv Shakti Rice Mills (SSRM) was established in 2008 as a partnership firm by Mr. Vikas Bansal, Mrs. Krishna Devi and Mr. Rajnish Kumar. The firm is engaged in the milling and processing of basmati rice and has installed capacity of 5 tonnes per hour.

Key Rating Drivers

Strengths

- **Experienced partners**

SSRM was established in 2008 by Mr. Vikas Bansal, Mrs. Krishna Devi and Mr. Rajnish Kumar who possess experience of around a decade in the rice milling business.

- **Proximity to raw material**

The manufacturing facilities are located at Moonak, Punjab in close proximity to raw material sources. The firm procures raw material from Punjab and Haryana and sells in Punjab, Delhi, Himachal, Haryana and Uttar Pradesh.

Weaknesses

- **Competitive and fragmented nature of industry**

The firm is exposed to intense market competition in the industry from organised and unorganised players. This resulted in low profitability margin of 0.19 percent in FY2015-16.

- **Agro climatic risks**

Paddy - the main raw material required for rice 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.

- **Modest financial risk profile**

The firm has modest financial risk profile marked by moderate gearing and weak coverage indicators. The gearing of the firm stood at 1.48 times as on March 31, 2016 against 1.50 percent in the previous year. The moderate gearing is attributed to low net worth of Rs.3.96 cr against total debt of Rs.5.84 cr as on 31 March, 2016. Moreover, the interest coverage ratio stood modest at 1.17 times in FY2015-16 against 1.09 times in FY2014-15 on account of deterioration in the profitability profile. The networth declined to Rs.3.96 cr (includes quasi equity of Rs.2.41 cr) in FY2015-16 from Rs.4.13 cr (includes quasi equity of Rs.2.43 cr) in FY2014-15 due to withdrawal of capital by partners. SMERA believes that further withdrawal of capital by the partners could adversely impact the financial risk profile of the firm.

• Stretched working capital cycle

The firm has stretched working capital cycle marked by GCA of 211 days in FY2015-16 as compared to 100 days in FY2014-15. The stretched GCA days is on account of high inventory days of 206 in FY2015-16 as against 63 in FY2014-15. Further, notwithstanding the improvement, the debtor days of the firm stood at 2 in FY2015-16 as against 30 days in FY2014-15.

Analytical Approach

SMERA has taken a standalone view of the financial and business risk profiles of SSRM.

Outlook: Stable

SMERA believes that the outlook for SSRM will remain Stable over the medium term owing to its experienced promoters. The outlook may be revised to 'Positive' if the firm achieves more than expected revenue while improving its profit margins and debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of lower than expected revenue and profitability, deterioration in capital structure and further elongation of working capital cycle.

About the Rated Entity - Key Financials

In FY2015-16 the firm achieved operating income of Rs.16.61 cr with Profit After Tax (PAT) of 0.03 cr compared to operating income of Rs. 38.06 cr with PAT of 0.05 cr a year earlier. The networth of the firm stood at Rs.3.96 cr as on 31 March, 2016 as against Rs.4.13 cr a year earlier. The networth of Rs.3.96 cr in 31 March, 2016 includes quasi equity of Rs. 2.41 cr.

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	15.00	SMERA B+ / Stable

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