

Press Release

Vardhman Rice And General Mills

April 26, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 10.00 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. 10.00 crore bank facilities of Vardhman Rice And General Mills. The outlook is '**Stable**'.

Vardhman Rice and General Mills (VRGM) established in 2001 was converted to a partnership firm in 2014. The company is engaged in the milling and processing of basmati rice under the brand name 'Life OK' at Jind, Haryana. The processing capacity stands at 720 metric tonnes per month. The company sells its products (rice, rice bran, broken rice) in Haryana, Delhi, Maharashtra and Uttar Pradesh.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

VRGM, established in 2001 is led by Directors, Mr. Parveen Jain and his son, Mr. Adhish Jain who possess experience of over a decade in the aforementioned industry.

- **Average financial risk profile**

The financial risk profile is average marked by low net worth of Rs. 2.30 cr for FY2015-16 as against Rs. 2.26 cr in FY2014-15. The EBITDA margins fell to 4.20 per cent in FY2015-16 from 5.63 per cent in FY2014-15 due to increase in raw material prices. The thin PAT margins stood at 0.06 percent in FY2015-16 as against 0.09 per cent in FY2014-15.

Weaknesses

- **High gearing with moderate coverage indicators**

The gearing stood at 5.42 times as on 31 March, 2016 as against 5.12 times as on 31 March, 2015. The interest coverage indicator stood at 1.22 times and net cash accruals at Rs. 0.30 cr in FY2015-16.

- **Agro climatic risks**

Paddy, the main raw material 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.

- **Working capital intensive operations**

The operations of the company are working capital intensive marked by high working capital cycle days of 116 in FY2015-16 as against 175 in FY2014-15. The debtor days stood at 52 and creditor days at 76 in FY2015-16.

Analytical Approach

SMERA has considered the standalone financial and business risk profiles of Vardhman Rice and General Mills to arrive at the rating.

Outlook: Stable

SMERA believes that VRAGM will maintain a stable outlook over the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the revenue increases significantly backed by improvement in profit margins. Conversely, the outlook may be revised to 'Negative' in case of significant losses and deterioration in its financial risk profile or deterioration in the working capital management.

About the Rated Entity - Key Financials

For FY2015-16, VRAGM reported profit after tax (PAT) of Rs.0.02 cr on operating income of Rs.38.36 cr as against PAT of Rs.0.02 cr on operating income of Rs.23.76 cr for FY2014-15. The net worth stood at Rs.2.03 cr as on March 31, 2016 against Rs.2.26 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
Inventory Funding	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA B+ / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.00	SMERA B+ / Stable

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