

Press Release

Naxalbari Flour & Rice Mill Private Limited

May 29, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 11.60 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. 11.60 crore bank facilities of Naxalbari Flour & Rice Mill Private Limited. The outlook is '**Stable**'.

Naxalbari Flour and Rice Mill Private Limited (NFRMPL), was established in 2012 as a West Bengal based company with its manufacturing unit in Naxalbari, Darjeeling (West Bengal) by Neha Malpani and Seema Devi Agarwal. The company is engaged in the processing of non-basmati parboiled rice and has an installed capacity of ~13 tonnes per hour. The company started its commercial operations in June 2014.

Key Rating Drivers

Strengths

- **Experienced management**

The promoters of the company Ms Neha Malpani and Ms Seema Devi Agarwal have a decade of experience in real estate industry and agriculture.

- **Efficient working capital management**

The company's efficient working capital management is marked by low working capital cycle gross current asset (GCA) days of 55 in FY2016 as compared to 134 in FY2015. The inventory days are at 23 in FY2016 compared to 74 in FY2015. The company also has a well managed receivable cycle, with its debtor days at 14 in FY2016 as compared to 25 in FY2015. Its customers are based out of West Bengal and Assam and they are allowed credit up to 20 days.

- **Average financial risk profile:**

The financial risk profile is marked by high gearing, comfortable debt protection metrics and low networth. The gearing (debt-equity ratio) stood at 3.73 times and interest coverage at 3.21 times in FY2015-16. Moreover, NCA/TD and DSCR (Debt Service Coverage Ratio) stood at 0.16 and 3.29 times respectively in FY2016. The networth stood at Rs 4.42 crore in FY2015-16. For FY2017 (Provisional), the gearing is at 2.52 times and networth is at Rs 4.83 crore. However SMERA expects the gearing level to improve with the repayment of its debt and debt protection metrics to remain at comfortable levels over the medium term.

Weaknesses

- **Susceptibility to fluctuations in raw material prices**

The company's margins are highly susceptible to changes in prices of paddy. The purchase price depends on the prevailing demand-supply situation.

• Agro climate 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.

• Modest scale of operations

NFRMPL operates at a modest scale with operating income of Rs 45.63 crore in FY2016. The company had registered revenue of Rs 41.50 crore in FY2017 (provisional). SMERA expects their scale of operations to improve over the medium term with further stabilization of its operations.

Analytical Approach

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

Outlook: Stable

SMERA believes that NFRMPL will continue to benefit over the medium term from the promoters experience. The outlook may be revised to 'Positive' if NFRMPL achieves more than envisaged sales and profitability while efficiently managing its working capital cycle and its financial risk profiles. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve growth in revenue and profitability or the financial risk profile deteriorates.

About the Rated Entity - Key Financials

For FY2015-16 the company reported Profit After Tax (PAT) of Rs.0.41 cr on total operating income of Rs.45.63 cr as compared to Net loss of Rs.1.88 cr on operating income of Rs 9.64 crore for 9 months of its production in FY2014-15.

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>

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	4.00	SMERA BB- / Stable
Term loans	Not Applicable	Not Applicable	31-Dec-2019	5.35	SMERA BB- / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	1.65	SMERA BB- / Stable
Bank guarantee/Letter of	Not Applicable	Not Applicable	Not Applicable	0.60	SMERA A4+

Guarantee					
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ABOUT SMERA

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