

Press Release

Naxalbari Flour & Rice Mill Private Limited

August 02, 2018



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 11.60 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE BB-**' (**read as ACUITE BB minus**) and short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs. 11.60 crore bank facilities of Naxalbari Flour & Rice Mill Private Limited. The outlook is '**Stable**'.

Naxalbari Rice @ Flour Mill Private Limited was incorporated in 2012, as a West Bengal based company. However, it started its commercial operations in June 2014. The company is engaged in processing of non-basmati parboiled rice and has a manufacturing facility at Naxalbari, Darjeeling (West Bengal) with a processing capacity of 13 tonnes per hour. The day to day operations of the company is managed by Mr. Manish Rungta.

Key Rating Drivers

Strengths

- **Efficient working capital management**

The working capital management is marked by GCA days of 61 in FY2018 (Prov) as compared to 43 days in FY2017. The inventory days are at 33 in FY2018 (Prov) compared to 32 days in FY2017. The company also has a well-managed receivable cycle, with its debtor days at 21 in FY2018 (Prov) as compared to 8 days in FY2017.

- **Average financial risk profile:**

The average financial risk profile is marked by low networth, high gearing and healthy debt protection metrics. The net worth of the company stood at Rs.5.41 crore as on 31st March 2018 (Prov) as against Rs.4.84 crore in the previous year. Debt equity stands at 2.58 times and interest coverage at 3.06 times in FY2018 (Prov). The total debt of Rs.13.95 crore as on 31st March 2018 (Prov) consists of long term debt of Rs.2.33 crore, unsecured loans from promoters of Rs.5.03 crores, short term borrowings of Rs.5.09 crores and current portion of long term debt of Rs.1.50 crores. Moreover, NCA/TD is at 0.15 times and Debt Service Coverage Ratio (DSCR) is at 1.25 times in FY2018 (Prov).

Weaknesses

- **Modest scale of operations**

The company is operating at a modest scale of operations. It started its commercial operations in June 2014. For FY2018 (Prov) it registered revenue of Rs.52.51 crore as against Rs.41.61 crore in the previous year.

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

Naxalbari Flour and Rice Mill Private Limited's margins are highly susceptible to changes in prices of paddy. The purchase price depends on the prevailing demand-supply situation. The supply is further affected by the monsoons.

- **Susceptibility to climatic conditions**

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

Analytical Approach

Acuité has considered the standalone financials and business risk profiles of the company.

Outlook: Stable

Acuité believes the outlook on Naxalbari Flour and Rice Mill Private Limited rated facilities will remain stable over the medium term backed by its efficient working capital management. The outlook may be revised to 'Positive' in case the company registers more than envisaged sales and profitability while efficiently managing its working capital cycle and improving its financial risk profile. The outlook may be revised to 'Negative' in case of the company fails to achieve envisaged revenue and profitability and its working capital cycle further gets stretched or its financial risk profile deteriorates.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	52.51	41.61	45.63
EBITDA	Rs. Cr.	3.10	2.80	3.67
PAT	Rs. Cr.	0.57	0.42	0.41
EBITDA Margin	(%)	5.91	6.72	8.04
PAT Margin	(%)	1.08	1.01	0.90
ROCE	(%)	8.82	4.98	7.44
Total Debt/Tangible Net Worth	Times	2.58	2.51	3.73
PBDIT/Interest	Times	3.06	4.85	3.21
Total Debt/PBDIT	Times	4.42	4.29	4.45
Gross Current Assets (Days)	Days	61	43	55

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
29-May-2017	Cash Credit	Long Term	INR 4	ACUITE BB- / Stable
	Term Loan	Long Term	INR 5.35	ACUITE BB- / Stable
	Proposed Long Term Loan	Long Term	INR 1.65	ACUITE BB- / Stable
	Bank Guarantee	Short Term	INR 0.6	ACUITE A4+

*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	6.00	ACUITE BB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	3.79	ACUITE BB- / Stable
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.21	ACUITE BB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.60	ACUITE A4+

Contacts

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About Acuité Ratings & Research:

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