

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

Acuite 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 network, 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

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

Outlook: Stable

Acuite 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

Analytical	Rating Desk
<p>Pooja Ghosh Head - Corporate and Infrastructure Sector Ratings Tel: 033-6620 1203 pooja.ghosh@acuite.in</p> <p>Deep Majumder Analyst - Rating Operations Tel: 033-66201206 deep.majumder@acuite.in</p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in</p>

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.