

Press Release

Vishnu Rice Mills

June 05, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 15.00 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (read as **SMERA BB minus**) on the Rs. 15.00 crore bank facilities of Vishnu Rice Mills. The outlook is '**Stable**'.

Vishnu Rice Mills (VRM), a partnership firm established in 1997 by Mr. Zile Singh, Mr. Vishan Sarup, Mr. Sanjeev Kumar and others is engaged in the milling and trading of rice (basmati) at Karnal, Haryana. The firm has milling capacity of four tonnes per hour.

Key Rating Drivers

Strengths

- **Extensive experience of partners**

The partners, Mr. Zile Singh, Mr. Vishan Sarup, Mr. Sanjeev Kumar and Mr. Ravinder Kumar possess experience of around two decades in the rice milling business.

- **Comfortable financial risk profile**

The firm has moderate financial risk profile marked by comfortable gearing and coverage indicators. The gearing stood at 1.88 times (Provisional) as on 31 March, 2017 which is evident from the low networth of Rs.5.73 crore against the total debt of Rs.10.75 crore (includes long term loan of Rs.1.06 crore and short term working capital of Rs.9.70 crore) as on 31 March, 2017 (Provisional). The gearing stood at 2.14 times as on 31 March, 2016. The networth of Rs. 5.73 crore (Provisional) as on 31 March, 2017 includes unsecured loans from partners and relatives of Rs. 2.90 crore. SMERA has treated the unsecured loan as quasi equity as the amount is subordinated to bank debt. Moreover, the interest coverage ratio stood moderate at 1.24 times and net cash accrual to total debt (NCA/TD) at 0.03 times (Provisional) in FY2016-17. SMERA believes that any further decline or non-improvement in debt protection metrics and increase in debt-to-equity ratio would be a key credit rating sensitivity.

- **Moderate working capital cycle**

The working capital cycle is marked by gross current asset (GCA) of 101 days (Provisional) in FY2016-17 as compared to 138 days in FY2015-16. The modest GCA days are on account of low inventory days of 49 (Provisional) in FY2016-17 as against 85 in FY2015-16. Further, the debtor days of the firm stood at 35 (Provisional) in FY2016-17 as against 39 days in FY2015-16.

Weaknesses

- **Competitive and fragmented industry**

The agro industry is highly competitive with multiple players and low entry barriers resulting in intense competition from both, the organised as well as unorganised players.

- **Agro climatic risk**

Paddy, the main raw material required for milling of rice 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

The scale of operations of the firm is modest with operating income of Rs.56.32 crore (Provisional) in FY2016-17 as compared to Rs.46.11 crore in FY2015-16.

Analytical Approach

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

Outlook: Stable

SMERA believes that the firm will maintain a stable outlook owing to the management's extensive experience in the rice milling business. The outlook may be revised to 'Positive' in case of sustained increase in revenue and accruals while maintaining its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of significant decline in capital structure or deterioration of the financial risk profile.

About the Rated Entity - Key Financials

In FY2016-17, the firm achieved Profit After Tax (PAT) of Rs.0.10 crore on operating income of Rs.56.32 crore (Provisional) compared to PAT of Rs.0.09 crore on operating income of Rs. 46.11 crore a year earlier. The networth stood at Rs.5.73 crore as on 31 March, 2017 (Provisional) as against Rs.5.11 crore a year earlier. The networth of Rs.5.73 crore in 31 March, 2017 (provisional) includes quasi equity of Rs. 2.90 crore.

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

India Ratings and Research (Ind-Ra) has migrated Vishnu Rice Mills 'IND B+/Stable/IND A4' ratings to the non-cooperation category on 12th May, 2017. The ratings have been migrated to the non-cooperation category as the issuer did not participate in the rating exercise despite continuous requests and follow-ups by the agency.

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	10.50	SMERA BB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.22	SMERA BB- / Stable

Proposed	Not Applicable	Not Applicable	Not Applicable	3.28	SMERA BB- / Stable
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ABOUT SMERA

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