

Press Release

Vishnu Rice Mills

August 07, 2018

Rating Reaffirmed



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

* Refer Annexure for details

Rating Rationale

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

Vishnu Rice Mills (VRM) was established in 1997 is a Karnal (Haryana) based partnership firm and is managed and promoted by Mr. Zile Singh, Mr. Vishan Sarup, Mr. Sanjeev Kumar and Mr. Ravinder Kumar. The firm is engaged in the milling and trading of rice (mainly basmati). The firm is having installed capacity of 4 tonnes per hour. The firm sells the product under the brand name K5.

Key Rating Drivers

Strengths

- **Experienced management & long track of operation**

The firm was established in 1997 reflecting a long track of operation of more than two decades in the rice industry. The firm is promoted by Mr. Zile Singh, Mr. Vishan Sarup, Mr. Sanjeev Kumar and Mr. Ravinder Kumar who have experience of over two decades in the rice industry.

- **Proximity to raw material source**

The firm has a manufacturing unit at Karnal (Haryana) with installed capacity of 4 metric tonnes of rice per hour. Karnal is a major rice producing region and enables easy access to raw material i.e. paddy.

Weaknesses

- **Average financial risk profile**

The financial risk profile of the firm is marked by moderate gearing ratio of 1.74 times in FY2018 as compared to 1.88 times in FY2017. The interest coverage ratio stood at 1.33 times in FY2018 as against 1.24 times in the previous year. The operating margins stood moderate at 3.18 percent in FY2018 as compared to 3.32 percent in FY2017. The profitability margin stood at 0.25 percent in FY2018 as compared to 0.17 percent in FY2017. The revenue of the firm has decreased to Rs.44.22 crore in FY2018 as compared to Rs.56.32 crore in FY2017.

- **Agro climatic risks**

Paddy, the main raw material required for rice milling 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.

- **Competitive and fragmented nature of rice milling business**

Rice milling is a highly competitive industry due to low entry barriers which results in intense competition from both the organised as well as unorganised players in the industry.

Analytical Approach

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

Outlook: Stable

Acuité believes that the outlook on VRM will remain 'Stable' over the medium term on account of the management's extensive experience in the rice milling business. The outlook may be revised to 'Positive' if the firm achieves higher than expected revenue and net cash accruals while effectively managing its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the liquidity profile or financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	44.22	56.32	46.11
EBITDA	Rs. Cr.	1.40	1.87	1.74
PAT	Rs. Cr.	0.11	0.10	0.09
EBITDA Margin	(%)	3.18	3.32	3.78
PAT Margin	(%)	0.25	0.17	0.19
ROCE	(%)	7.17	10.01	18.25
Total Debt/Tangible Net Worth	Times	1.74	1.88	2.14
PBDIT/Interest	Times	1.33	1.24	1.31
Total Debt/PBDIT	Times	7.32	5.68	6.08
Gross Current Assets (Days)	Days	124	100	138

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.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
05-Jun-2017	Cash Credit	Long Term	10.5	ACUITE BB- / Stable (Assigned)
	Term Loan	Long Term	1.22	ACUITE BB- / Stable (Assigned)
	Proposed Long Term Loan	Long Term	3.28	ACUITE BB- / Stable (Assigned)

***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	ACUITE BB- / Stable (Reaffirmed)
Term loans	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE BB- / Stable (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE BB- / Stable (Reaffirmed)

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About Acuité Ratings & Research:

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