

Press Release

S L T Modern Rice Mill

June 07, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 5.50 Cr.
Long Term Rating	SMERA B / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B**' (read as **SMERA B**) on the Rs. 5.50 crore bank facilities of S L T Modern Rice Mill. The outlook is '**Stable**'.

Established in 2012 by Ms. S. Sasikala, SLT Modern Rice Mill (SLTMRM) is a proprietorship firm engaged in the manufacturing of non- basmati rice at Kattukuppam (Pondicherry). The firm has an installed capacity of 4.50 TPD and sells its products under the 'Krishna Yadav' and 'Aishwariya' brand names.

Key Rating Drivers

Strengths

- **Experienced management**

The Proprietor, Ms S.Sasikala has over three decades of experience in rice milling.

Weaknesses

- **Modest scale of operations**

The operations are on a modest scale with revenue of Rs 20.07 crore in FY2016 as against Rs17.63 crore in FY2015. Till February 2017, the firm achieved revenue of around Rs 22 crore (Provisional).

- **Weak financial risk profile**

SLTMRM has below average financial risk profile marked by high gearing (Debt-to-equity) of 4.74 times as on 31 March, 2016 as against 4.66 times as on 31 March, 2015. The total debt mainly comprises working capital borrowings of Rs 3.98 crore and term loans of Rs 1.50 crore. The ICR (Interest coverage ratio) stood moderate at 1.52 in FY2016 against 1.54 times in FY2015. The firm has NCA/TD (Net Cash Accruals/ Total Debt) of 0.06 times in FY2016 as against 0.07 times in FY2015. Further, the tangible net worth stood low at Rs.1.16 crore as on 31 March, 2016.

- **Working capital intensive operations**

The operations are working capital intensive marked by GCA days of 112 in FY2016 as against 98 days in FY2015. The rise in GCA days are on account of rise in inventory days to 81 as against 58 days in FY2015. The firm on an average utilises around ~95 per cent of its cash credit facility of Rs 4.50 crore.

- **Agro climatic risk**

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.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of SLTMRM to arrive at the

rating.

Outlook: Stable

SMERA believes that the firm will maintain a stable outlook over the medium term owing to its proprietor's extensive experience in the rice milling industry. The outlook may be revised to 'Positive' in case of substantial and sustained increase in revenue and profitability margins or significant improvement in the financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of steep decline in revenue, profitability margins or deterioration in its capital structure due to stretch in working capital cycle.

About the Rated Entity - Key Financials

For FY2016, the firm reported Profit after Tax (PAT) of Rs.0.08 crore on total operating income of Rs. 20.07 crore as compared with PAT of Rs.0.06 crore on total operating income of Rs.17.63 crore in FY2015.

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>
- 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	4.50	SMERA B / Stable
Term loans	Not Applicable	Not Applicable	31-Mar-2020	1.00	SMERA B / Stable

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