

### Balaji Rice Mill: Assigned

Facilities	Amount (Rs. Crore)	Rating/Outlook
Cash Credit	6.00	SMERA B/Stable (Assigned)
Term Loan	0.60	SMERA B/Stable (Assigned)

SMERA has assigned long term rating of '**SMERA B' (read as SMERA B)** on the Rs.6.60 crore bank facilities of Balaji Rice Mill (BRM). The outlook is '**Stable**'.

The rating derives comfort from the experienced management. However, the rating is constrained by the modest scale of operations, below average financial risk profile and working capital intensive business. The ratings also factor in the proprietorship constitution of the firm and exposure to agro climatic risk.

BRM, established in 1975, is engaged in the processing and trading of rice. The firm benefits from its experienced management. Mr. Ramalinga Reddiar, the Proprietor, possesses over 40 years of experience in the rice processing business.

The firm registered moderate compounded annual growth rate (CAGR) of 18.13 per cent from FY2011-12 to FY2015-16. However, the scale of operations remains modest with operating income of Rs.36.27 crore in FY2015-16 (Provisional). The operating margins have remained stable at 3.59 percent in FY2015-16 and 3.25 percent in FY2014-15.

The financial risk profile of BRM is below average marked by gearing of 1.95 times as on March 31, 2016 as against 2.45 times as on March 31, 2015. The interest coverage ratio stands at 1.43 times in FY2015-16 as compared to 1.41 times in FY2014-15. The operations are working capital intensive marked by gross current asset (GCA) days at 88 in FY2015-16. The average utilisation of the working capital limits is 99 percent from April 2016 to September 2016.

The rating also factors in the proprietorship constitution of the firm rendering BRM vulnerable to capital withdrawal. Further, paddy, the main raw material is a seasonal crop and production of the same is highly dependent upon monsoon. Hence, the firm is exposed to agro climatic risks.

#### Rating Sensitivity Factors

- Scaling up operations and improving profitability
- Effective working capital management

#### Outlook-Stable

SMERA believes that BRM will maintain a stable outlook in the medium term and benefit from its experienced management. The outlook may be revised to 'Positive' if the scale of operations increases substantially while also maintaining profitability and improvement in the financial risk profile. Conversely, the outlook may be revised to 'Negative' if the firm fails to achieve expected scalability or in case deterioration in the financial risk profile.

#### Criteria applied to arrive at the ratings:

- Manufacturing Entities

## About the Firm

BRM was established in 1975, by Mr. Ramalinga Reddiar (Proprietor). The firm is engaged in the processing and trading of rice at Villupuram, Tamil Nadu and has a processing capacity of around 9,000 kg of rice per day.

In FY2015-16 (Provisional), the firm reported profit after tax (PAT) of Rs.0.10 crore on operating income of Rs.36.27 crore against PAT of Rs.0.08 crore on operating income of Rs.30.41 crore in the previous year.

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