

Press Release

Shanti Mills

August 07, 2018

Rating Reaffirmed



| | |
|------------------------------|-----------------------------|
| Total Bank Facilities Rated* | Rs. 10.00 Cr. |
| Long Term Rating | ACUITE B+ / Outlook: Stable |

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) on the Rs.10.00 crore bank facilities of Shanti Mills (SM). The outlook is '**Stable**'.

Shanti Mills (SM), a Karnataka-based proprietorship concern was established in 2014. The firm is engaged in the processing of rice. The firm procures paddy from local farmers in Raichur (Karnataka) and supplies to dealers in Karnataka, Maharashtra, Tamil Nadu, Gujarat and Kerala. The manufacturing unit is located at Raichur district with an installed capacity of 8 metric tonnes of paddy per hour.

Key Rating Drivers

Strengths

- **Experienced Proprietor**

The Proprietor, Mr. Yeedala Hariprasad possesses experience of around two decades in the rice milling business through his association with other firms.

- **Proximity to raw material**

The manufacturing unit is located in Raichur which is one of the major rice producing states in India, thus providing proximity to raw material i.e. paddy.

Weaknesses

- **Modest financial risk profile**

The financial risk profile of the firm is marked by low net worth of Rs.3.29 crore as on 31 March, 2017. The net worth includes unsecured loans from promoters of Rs.1.04 crore. The debt-equity ratio stood high at 2.81 times for FY2017 as compared to 2.55 times for FY2016. The interest coverage ratio stood at 1.83 times for FY2017 and 1.76 times for FY2016. Debt Service Coverage Ratio (DSCR) stood at 1.56 times and TOL/TNW stood at 2.87 times for FY2017.

- **Agro climatic risks**

The main raw material required for rice processing is paddy which 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.

- **Highly competitive and fragmented rice milling business**

SM operates in rice processing industry which has low entry barriers leading to intense competition from both the organised as well as unorganised players.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of SM to arrive at this rating.

Outlook: Stable

Acuite believes that SM will maintain a 'Stable' outlook over the medium term owing to the extensive experience of the Proprietor in the rice milling business. The outlook may be revised to 'Positive' if the firm achieves higher than expected revenue and maintains adequate profitability while effectively managing its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of larger-than-expected revenue or deterioration in the liquidity profile.

About the Rated Entity - Key Financials

| | Unit | FY18 (Provisional) | FY17 (Actual) | FY16 (Actual) |
|-------------------------------|---------|--------------------|---------------|---------------|
| Operating Income | Rs. Cr. | 46.02 | 40.74 | 9.49 |
| EBITDA | Rs. Cr. | 2.03 | 1.77 | 0.86 |
| PAT | Rs. Cr. | 0.48 | 0.40 | 0.11 |
| EBITDA Margin | (%) | 4.41 | 4.34 | 9.04 |
| PAT Margin | (%) | 1.04 | 0.99 | 1.19 |
| ROCE | (%) | 12.25 | 12.76 | 9.48 |
| Total Debt/Tangible Net Worth | Times | 2.81 | 2.55 | 4.00 |
| PBDIT/Interest | Times | 1.83 | 1.76 | 2.22 |
| Total Debt/PBDIT | Times | 5.19 | 4.69 | 9.81 |
| Gross Current Assets (Days) | Days | 100 | 96 | 376 |

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.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. Crore) | Ratings/Outlook |
|-------------|---------------------------------|-----------|--------------------|-------------------------------|
| 04-Jul-2018 | Cash Credit | Long Term | 10.00 | ACUITE B+ (Indicative) |
| 06-Jul-2017 | Cash Credit | Long Term | 10.00 | ACUITE B+ / Stable (Assigned) |

*Annexure – Details of instruments rated

| Name of the Facilities | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. Crore) | Ratings/Outlook |
|------------------------|------------------|----------------|----------------|-------------------------------|---------------------------------|
| Cash Credit | Not Applicable | Not Applicable | Not Applicable | 10.00 | ACUITE B+ / Stable (Reaffirmed) |

Contacts

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|--|---|
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About Acuité Ratings & Research:

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