

Press Release

Vaseeulla Modern Rice Mill (Llp)

July 31, 2017



Rating Assigned

Total Bank Facilities Rated*	Rs. 39.49 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 plus**) on the Rs. 39.49 crore bank facilities of Vaseeulla Modern Rice Mill(Llp). The outlook is '**Stable**'.

Vaseeulla Modern Rice Mill (VMRM), was established in 2011 as a partnership firm by Mr. Syed Hidayatulla and Mr. Syed Vaseeulla. The firm is engaged in the processing and trading of rice at Karnataka. VMRM manufactures Par Boiled, Double Polished, Sortexed, Thanjavur Ponni, Samba and Sona Masuri varieties of rice.

Key Rating Drivers

Strengths

- Experienced management**

The management has extensive experience in the rice milling business. The partners have been in the business for more than two decades and have developed long term relations with reputed customers and suppliers. Mr. Syed Hidayatulla, managing partner, has more than two decades of experience in the rice milling industry while Mr. Syed Vaseeullah possesses more than a decades experience.

- Proximity to rice growing areas**

The manufacturing facility of VMRM is located at Bangarpet, Karnataka, and offers proximity to raw material given that the area has ample production of rice. The firm procures raw material (paddy) from the local mandis of Karnataka.

Weaknesses

- Decline in revenue**

VMRM reported revenue decline of around 20 percent in FY2017 (Provisional) compared to FY2016. The firm reported operating income of Rs. 93.01 crore for FY2016-17 (Provisional) as against Rs.115.64 crore in FY2015-16. The firm achieved revenue of Rs.93.01 crore compared to SMERA's projection of Rs.121.43 crore.

- Financial profile marked by high gearing and moderate coverage indicators**

The financial profile is weak marked by high gearing of 5.10 times (Provisional) for FY2016-17 owing to the large working capital requirements. The interest coverage indicator has been moderate at 1.29 times in FY2016-17 (Provisional). The moderate networth stood at Rs.9.27 crore as on March 31, 2017.

- Working capital intensive operations**

The company has working capital intensive operations marked by GCA (gross current assets) of 201 days in FY2017 as against 158 days in FY2016 on account of high inventory days of 201 and debtor days of 9 for FY2017 (Provisional). Rice processing is a working capital intensive business. The firm needs to store large quantities of paddy as the harvesting season is from September-November. Also,

companies store rice in order to 'age' which improves its characteristics in terms of taste, length, aroma and thus fetch better realisations.

• Competitive and fragmented rice milling business

Rice is a highly competitive industry due to low entry barriers which results in intense competition from both the organised as well as unorganised players. The firm faces competition from reputed firms such as KRBL, Kohinoor, LT Foods.

• Agro climatic risks

Paddy which is the main raw material required for 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.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the firm.

Outlook: Stable

SMERA believes that VMRM will maintain a stable outlook owing to the management's extensive experience in the rice milling business and established relationships with customers. The outlook may be revised to 'Positive' in case of sustained increase in revenues and accruals while maintaining its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenues and accruals or elongation of working capital cycle.

About the Rated Entity - Key Financials

In FY2017 (Provisional), VMRM reported net profit after tax (PAT) of Rs.1.07 crore on operating income of Rs.93.01 crore in FY2016-17 compared to PAT of Rs.0.78 crore on operating income of Rs.115.64 crore in the previous year. The net worth of the firm increased from Rs.7.45 crore as on 31 March, 2016 to Rs.7.45 crore as on 31 March, 2017 (Provisional).

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>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.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	35.00	SMERA B+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.69	SMERA B+ / Stable

Term loans	Not Applicable	Not Applicable	Not Applicable	2.22	SMERA B+ / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.58	SMERA B+ / Stable

Contacts

Analytical	Rating Desk
Vinayak Nayak Head – Ratings Operations Tel: 022-67141190 vinayak.nayak@smera.in	Varsha Bist Sr. Executive Tel: 022-67141160 varsha.bist@smera.in
Hina Gupta Senior Analyst - Rating Operations Tel: 02267141320 hina.gupta@smera.in	

ABOUT SMERA

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