

Press Release

P R S Rice Mill

22 September, 2017

Rating Assigned



| | |
|-------------------------------------|---------------------------|
| Total Bank Facilities Rated* | Rs.12.00 Cr |
| Long Term Rating | SMERA BB-/Outlook: Stable |

*Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (read as SMERA double B minus) on the Rs. 12.00 crore bank facilities of P R S Rice Mill (PRM). The outlook is '**Stable**'

P R S Rice Mill is a Karnataka-based partnership firm established in 2011 by Mr. Raghunath Shetty, Mr. R Parthasarathy, Ms. G. S. Shilpa, Ms. G Indra and Ms. Lalitha Kumari. The firm is engaged in the business of rice milling and selling of broken rice, maize and wheat. It caters to customers in Karnataka, Kerala and Tamil Nadu.

Key Rating Drivers

Strengths

Experienced management: The management has experience of over two decades in the rice milling business and have developed long term relations with reputed customers and suppliers.

Proximity to rice growing areas: The manufacturing facility is located at Bangarpet, Karnataka which offers proximity to raw material sources considering that the area has ample production of rice. PRM procures raw material (paddy) from the local mandis in Karnataka.

Comfortable working capital cycle: The firm has comfortable working capital cycle marked by GCA (gross current assets) of 93 days for FY2016 as against 104 days for FY2015. This is mainly on account of inventory days of 75 and debtor days of 18 for FY2016. The WCC (working capital cycle) days stood at 91 for FY2016 and 99 days for FY2015. Further, the utilisation of working capital borrowing stood at ~90.00 percent.

Weaknesses

Average financial risk profile: PRM has average financial risk profile marked by gearing of 3.39 times as on 31 March, 2016 as against 3.71 times as on 31 March, 2015. The total debt consists mainly working capital borrowings. The firm has average coverage indicators with interest coverage ratio (ICR) of 1.94 times for FY2015-16 and 1.79 times in FY2014-15. The tangible net worth of PRM stood at Rs.3.11 crore as on 31 March, 2016.

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

Analytical Approach:

SMERA has considered the standalone business and financial risk profile of PRM.

Outlook: Stable

SMERA believes that PRM will maintain a stable outlook in the medium term owing to its experienced management and support from group entities. The outlook may be revised to 'Positive' if the firm achieves more than expected revenue while improving profit margins and capital structure. Conversely, the outlook may be revised to 'Negative' in case of steep decline in revenues, profitability or deterioration in the capital structure owing to higher than envisaged working capital requirements.

About the Rated Entity - Key Financials

For FY2015-16, the firm reported net profit of Rs.0.80 crore on operating income of Rs.51.24 crore compared with net profit of Rs.0.51 crore on operating income of Rs.40.71 crore in FY2014-15. The net worth stood at Rs.3.11 crore as on 31 March, 2016 as against Rs.2.51 crore a year earlier.

Status of non-cooperation with previous CRA- Not Applicable

Any other information: Not Applicable

Applicable Criteria:

- Manufacturing Entity - <https://www.smera.in/criteria-manufacturing.htm>
- Application of Financial Ratios and Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition - <https://www.smera.in/criteria-default.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 | 12.00 | SMERA BB-/Stable (Assigned) |

Note on complexity levels of the rated instrument:

<https://www.smera.in/criteria-complexity-levels.htm>

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ABOUT SMERA

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