



Press Release

Heera Rice Mill

September 23, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 26.00 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 BB minus) on the Rs. 26.00 crore bank facilities of Heera Rice Mill. The outlook is '**Stable**'.

Heera Rice Mill (HRM) was established in 1998 as a partnership firm by Mr. Ishwar Dass and Mr. Satish Kumar. In 2000, Mr. Suresh Kumar joined as a partner. The firm is engaged in the milling and processing of basmati and non-basmati rice with an installed capacity of 6 metric ton rice per hour at Karnal, Haryana. The firm procures paddy-the raw material from the local market and sells its finished product - rice to exporters in Haryana and other states.

Key Rating Drivers

Strengths

- **Experienced management and long track record of operations**

HRM, established in 1998 has a long track record of 19 years in the rice industry. The firm was promoted by Mr. Satish Kumar and Mr. Suresh Kumar who possess extensive experience in the rice milling business.

- **Moderate financial risk profile**

The moderate financial risk profile is marked by moderate networth of Rs.15.01 crore as on 31 March, 2017 (Provisional) as compared to Rs.13.11 crore a year earlier. The net worth includes unsecured loans of Rs.7.10 crore as on 31 March, 2017, compared to Rs.6.49 crore as on 31 March, 2016 from promoters which are subordinated to bank debt. Hence, SMERA has treated them as quasi equity. The gearing stood at a moderate 1.81 times as on 31 March, 2017 (Provisional) as against 2.04 times in the previous year. The moderate gearing is on account of moderate networth of Rs.15.01 crore as against total debt of Rs.27.11 crore in FY2016-17. The total debt includes term loan of Rs. 1.07 crore and working capital limit of ~ Rs 26.03 crore. The interest coverage ratio stood modest at 1.20 times in FY2016-17 (Provisional) against 1.24 times in FY2015-16. The net cash accrual by total debt (NCA/TD) stood at 0.03 times in FY2017 (Provisional) compared to 0.02 times in FY2016. The debt to service coverage ratio (DSCR) stood at 1.13 times in FY2017 (Provisional) compared to 1.24 times in FY2016. SMERA expects the firm to continue its moderate risk profile in the medium term. Further the firm's ability to improve its net worth along with debt protection metrics will remain key credit monitorables.

Weaknesses

- **Agro climatic risks**

Paddy, the main raw material required for rice is a seasonal crop and production of the same is highly dependent upon the monsoon season. Thus, inadequate rainfall may affect the availability of paddy under adverse weather conditions.

- **Intense competition**

The firm operates in a highly fragmented industry with limited entry barriers wherein the presence of large number of players in the unorganised sector limits the bargaining power with customers.

Analytical Approach

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

Outlook: Stable

SMERA believes that the firm will maintain a stable outlook on the back of the managements' extensive experience in the rice milling business. The outlook may be revised to 'Positive' if the firm achieves higher than the projected growth in revenues and profitability or improvement in financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in the financial risk profile due to debt-funded capital expenditure.

About the Rated Entity - Key Financials

For FY2016-17 (Provisional), HRM reported PAT of Rs.0.30 crore on operating income of Rs.98.78 crore compared with PAT of Rs.0.24 crore on operating income of Rs.72.25 crore for FY2015-16. The net worth stands at Rs.15.01 crore as on 31 March, 2017 (Provisional) compared with Rs.13.11 crore a year earlier. The net worth of Rs.15.01 crore in FY2017 (Provisional) includes quasi equity of Rs.7.10 crore.

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	17.50	SMERA BB- / Stable
Warehouse Receipt Financing	Not Applicable	Not Applicable	Not Applicable	7.50	SMERA BB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA BB- / Stable

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