

Press Release

B D RICE EXPORTS SUBHASH CHAND (HUF)

December 19, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 8.50 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) on the Rs. 8.50 crore bank facilities of B D RICE EXPORTS SUBHASH CHAND (HUF). The outlook is 'Stable'.

The Punjab based, B D Rice Exports Subhash Chand HUF was established in 2015 as a HUF concern by Mr. Subhash Chand. The firm is engaged in the business of milling and trading of basmati rice with an installed capacity of 3 ton per hour. The manufacturing facility is located in Sangrur (Punjab). The firm procures the raw material i.e. paddy from the local market and sells the final output i.e. rice in the domestic market. The firm sells rice under the 'Shauna' brand name.

Key Rating Drivers

Strengths

- **Experienced management**

The proprietor, Mr. Subhash Chand, has experience of more than two decades in the rice milling and trading business. Such extensive experience has helped develop long term relations with customers.

- **Proximity to rice growing areas**

The manufacturing facility of B D Rice is located at Sangrur (Punjab), which has ample production of rice. A number of rice mandis are located in Haryana. The firm procures raw material (paddy) from local mandis in Haryana and Uttar Pradesh.

Weaknesses

- **Moderate financial risk profile**

The moderate financial risk profile is marked by low networth, high gearing and modest debt protection measures. The networth levels stood at Rs.3.49 crore as on 31 March, 2017 as against Rs.2.92 crore as on 31 March, 2016. The net worth includes unsecured loans of Rs.1.36 crore from promoters which is subordinated to bank debt. Hence SMERA has treated them as quasi equity. Further, the gearing stood high at 3.85 times as on 31 March, 2017 as against 3.81 times as on 31 March, 2016. The high gearing is on account of low net worth of Rs.3.49 crore as against total debt of Rs.11.24 crore in FY2016-17. The total debt includes unsecured loans of Rs.6.41 crore and working capital limit of Rs.4.23 crore. The interest coverage of the company stands at a moderate 1.82 times in FY2017 as against 3.05 times in the previous year. The net cash accruals by total debt (NCA/TD) stood at 0.08 times in FY2017 as against 0.07 times in FY2016 respectively. The Debt Service Coverage Ratio (DSCR) stood at 1.55 times in FY2016-17 compared to 1.57 times in FY2015-16.

- **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. Thus, inadequate rainfall may affect the availability of paddy in adverse weather conditions.

- **Working capital intensive operations:**

The operations are working capital intensive evident from the high gross current assets (GCA) days of 234 days in FY2016-17. This necessitates working capital requirements as major funds get blocked in inventory. The inventory days stood at 223 days in FY2015-16 compared to 296 days in FY2016-17. The debtor days stood at 15 days in FY2016-17 as against 20 days in FY2015-16.

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 management's extensive experience in the rice milling and trading business. The outlook may be revised to 'Positive' in case of sustained increase in revenue and improvement in its profitability. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenue and accruals or elongation of working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	19.88	6.70
EBITDA	Rs. Cr.	1.69	0.75
PAT	Rs. Cr.	0.32	0.17
EBITDA Margin (%)	(%)	8.52	11.18
PAT Margin (%)	(%)	1.61	2.58
ROCE (%)	(%)	11.69	11.62
Total Debt/Tangible Net Worth	Times	3.85	3.81
PBDIT/Interest	Times	1.83	3.05
Total Debt/PBDIT	Times	6.63	7.62
Gross Current Assets (Days)	Days	234	349

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

NA

Any other information

NA

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	4.00	SMERA B / Stable

Term loans	Not Applicable	Not Applicable	Not Applicable	0.95	SMERA B / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA B / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	2.55	SMERA B / Stable

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