

Press Release

SUN SHINE RICE UNIT

December 19, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 16.00 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**) on the Rs. 16.00 crore bank facilities of SUN SHINE RICE UNIT. The outlook is '**Stable**'.

SMERA has assigned the long term rating of 'SMERA BB/Stable' (read as SMERA double B) on the Rs. 16.00 cr. bank facilities of Sun Shine Rice Unit (SSRU). The outlook is Stable. SSRU is a Haryana based partnership firm, established in 2011, engaged in processing of paddy into basmati and non-basmati rice. The firm has an operating capacity of 1,000 quintals of paddy per day.

Key Rating Drivers

Strengths

- **Long experience of promoters in the rice milling business.**

The promoters and partners Mr. Inder Prakash, Mr. Narain Prakash and Mr. Vijay Kumar have an extensive experience of nearly three decades in paddy and rice processing industry. This has helped the firm in developing favorable relations with its customers and suppliers.

- **Moderate scale of revenue and profitability:**

SSRU registered a revenue of Rs.67.27 crore in FY2017 as compared to Rs.61.94 crore in FY2016. The growth in revenue is due to export sales to the tune of ~10 per cent of total sales to Saudi Arabia in FY2017 as against only domestic sales in FY2016. The firm has registered revenue of Rs.40 crore for the period April to November 2017. The EBITDA margin stood at 5.51 percent for FY2017 as against 5.04 percent for FY2016.

- **Average financial risk profile.**

The financial risk profile of the firm is moderate marked by adjusted networth at Rs.13.52 crore as on 31 March, 2017 as against Rs.11.08 crore as on 31 March, 2016. For arriving at the networth, unsecured loan of Rs.8.07 crore has been considered as part of equity as it is to remain in the business for the next few years. The gearing ratio improved to 1.19 times as on 31 March, 2017 as against 1.40 times as on 31 March, 2016. The interest coverage ratio (ICR) stood at 1.26 times for FY2017 and 1.35 times for FY2016. The adjusted total outside liabilities to total net worth (TOL/TNW) stood at 2.05 times as on 31 March, 2017 as against 2.17 times as on 31 March, 2016. The Net Cash Accruals to Total Debt (NCA/TD) stood at 0.05 times in FY2017 as against 0.05 times in FY2016.

Weaknesses

- **Working capital intensive operations**

SSRU's gross current assets (GCA) stood stretched at 201 days which includes inventory days of 148 and debtor days of 37 in FY2017. This is mainly due to seasonal nature of paddy. Further, the average cash credit utilisation stood moderate at 80 percent for six months ended November 2017.

- **Competitive and fragmented nature of rice milling business.**

SSRU is basically into milling of paddy. Rice is a highly competitive industry with low entry barriers,

characterized by the presence of both organized as well as unorganized players.

• **Agro climatic and raw material price fluctuation risks.**

Paddy is a seasonal crop and its production is highly dependent upon monsoons. Thus, inadequate rainfall may affect the availability of paddy. The firm is exposed to the raw material price fluctuation risk.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of SSRU to arrive at the rating.

Outlook: Stable

Outlook - Stable SMERA believes that the firm will maintain its stable business risk profile on account of the management's extensive experience in the rice milling business and its 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 in case of elongation in working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	67.27	61.94	60.46
EBITDA	Rs. Cr.	3.70	3.12	1.98
PAT	Rs. Cr.	0.18	0.14	0.13
EBITDA Margin	(%)	5.51	5.04	3.27
PAT Margin	(%)	0.27	0.22	0.22
ROCE	(%)	11.07	10.57	12.40
Total Debt/Tangible Net Worth	Times	1.19	1.40	2.33
PBDIT/Interest	Times	1.26	1.35	1.80
Total Debt/PBDIT	Times	4.36	4.98	7.03
Gross Current Assets (Days)	Days	201	180	174

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	Not	16.00	SMERA BB / Stable

		Applicable	Applicable		
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ABOUT SMERA

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