

Press Release

Nav Bharat Rice and General Mills (NBRGM)

29 December, 2017



Rating Assigned

Total Bank Facilities Rated*	Rs. 6.00 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. 6.00 crore bank facilities of Nav Bharat Rice and General Mills. The outlook is '**Stable**'.

Nav Bharat Rice and General Mills (NBRGM) was established in 1987 as a partnership firm by Mr. Premchand and Mr. Rajinder Garg. The firm is engaged in processing of parboiled, steam, basmati and superfine rice with installed capacity of 4 tons per hour. The administrative office and manufacturing facility are located in Haryana.

Key Rating Drivers

Strengths

- **Experienced management**

Mr. Rajendra Garg has an experience of more than two decades in the food and agro industry.

- **Scale of operations**

The firm registered a revenue of ~Rs.17.95 crore in FY2017 as against Rs.18.45 crore in FY2016.

Weaknesses

- **Average financial risk profile**

NBRGM's financial risk profile is average, marked by moderate net worth of Rs. 4.11 crore in FY2017 vs Rs.4.07 crore in FY2016; the improvement is mainly on account of retention of profits. The gearing stands moderate at 1.32 times vs 1.68 times in FY2016; the yoy improvement could be attributed to decrease in short term debt. The interest coverage ratio (ICR) is moderate at 1.26 times in FY2017 and debt service coverage ratio (DSCR) stands at 1.26 times in FY2017.

- **Working capital intensive operations**

Rice processing is a working capital intensive business; the company is dependent on the harvesting season for procurement of paddy. The procurement of rice by the company is majorly in the February to May period. NBRGM's operations are working capital intensive; gross current asset (GCA) days declined to 185 in FY2017 from 227 in FY2016, mainly due to decrease in inventory days to 115 in FY2017 from 156 in FY2016.

Analytical Approach

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

Outlook: Stable

SMERA believes NBRGM will maintain a stable outlook in the medium term on account of its experienced management and moderate revenue scalability. The outlook may be revised to 'Positive' if the firm registers sustained increase in revenue and accruals with improvement in capital structure. Conversely, the outlook may be revised to 'Negative' in case of any significant decline in revenue and accruals or elongation of working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	17.95	18.45	18.26
EBITDA	Rs. Cr.	0.87	1.08	1.11
PAT	Rs. Cr.	0.01	0.01	0.01
EBITDA Margin	(%)	4.84	5.85	6.10
PAT Margin	(%)	0.06	0.04	0.04
ROCE	(%)	6.39	8.04	16.88
Total Debt/Tangible Net Worth	Times	1.32	1.68	1.77
PBDIT/Interest	Times	1.26	1.22	1.25
Total Debt/PBDIT	Times	6.71	6.69	6.13
Gross Current Assets (Days)	Days	185	227	259

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>
- 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	6.00	SMERA B+ / Stable (Assigned)

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