

Press Release

Mahesh Rice Mills (MRM)

9 January, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 12.00 Cr.
Long Term Rating	SMERA BB-/ Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA BB-**' (read as SMERA double B minus) and short term rating of '**SMERA A4+**' (read as SMERA A4 plus) on the above mentioned Rs. 12.00 crore bank facilities of Mahesh Rice Mill (MRM). The outlook is '**Stable**'.

Mahesh Rice Mill, a Haryana-based partnership firm, established in 1993 is engaged in the milling, sorting, grading and processing of rice. The firm procures raw material i.e. paddy and semi processed rice from the local market. Around 70 percent of the products are sold in India and the rest overseas. Most of the revenue in the rice industry comes during November – March.

List of key rating drivers and their detailed description

Strengths

Experienced management

The firm is led by Mr. Mam Chand Goel, Mr. Mukesh Goel, Mr. Ajay Goel and Mr. Parvesh Goel who possess extensive experience in the said line of business.

Proximity to raw materials

The processing facility is located at Taraori, Haryana, which offers proximity to paddy.

Weaknesses _____

Weak financial risk profile

The firm's financial risk profile is moderate marked by tangible net worth of Rs. 7.79 crore as on 31 March, 2017 compared to Rs. 10.03 crore as on 31 March, 2016. The adjusted gearing stood at 1.95 times as on 31 March, 2017 as against 1.49 times in the previous year. The Interest Coverage Ratio stood at 1.18 times and Debt Service Coverage ratio (DSCR) stood at 1.18 times as on March 31, 2017. The Total Outside Liabilities/Total Net worth stood at 1.98 times as on 31 March, 2017 as against 2.10 times as on 31 March, 2016.

Working capital intensive operations

The operations are working capital intensive. The working capital cycle stood high at 156 days with inventory days of around 118 days.

Competitive and fragmented industry

The rice processing business is marked by entry of several small, medium and big manufacturers due to high demand of rice in the local market and countries overseas. The competition in the rice milling business from other rice millers is stiff.

Agro-climatic risk

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.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of MRM to arrive at the rating.

Outlook – Stable

SMERA believes that the firm will maintain a stable outlook in the medium term on account of the management's extensive experience in the rice milling business and 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 elongation of working capital cycle.

About the Rated Entity – Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	50.32	62.07	62.39
EBITDA	Rs. Cr.	2.55	2.70	2.85
PAT	Rs. Cr.	0.12	0.10	0.09
EBITDA Margin	(%)	5.07	4.35	4.57
PAT Margin	(%)	0.23	0.16	0.14
ROCE	(%)	9.55	9.56	19.55
Total Debt/Tangible Net Worth	Times	1.98	2.10	6.73
PBDIT/Interest	Times	1.18	1.15	1.16
Total Debt/PBDIT	Times	1.18	1.15	1.16
Gross Current Assets (Days)	Days	155	173	225

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

None

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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	9.50	SMERA BB-/ Stable
Packing credit	Not Applicable	Not Applicable	Not Applicable	2.50	SMERA A4+

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ABOUT SMERA

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