

Press Release

KUMUD RICE AND DAL MILL

30 January, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 13.00 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 double B minus) on the Rs. 13.00 crore bank facilities of KUMUD RICE AND DAL MILL (KRDM). The outlook is '**Stable**'.

The Uttar Pradesh-based KRDM, established in 1994 by Mr. Triloki Nath Gupta, Mr. Tushar Gupta and Mr. Sanjeev Gupta is engaged in the processing of rice (Sortex Sona masoori, Steamed rice, Non-basmati rice and Samba masoori rice) at Hardoi. The firm has installed capacity of 8 tones/hour. KRDC exports rice to Doha, Dubai, Oman, Nepal and Bangladesh.

Key Rating Drivers

Strengths

- **Experience management, established track record**

KRDM was established by Mr. Triloki Nath Gupta, Mr. Tushar Gupta and Mr. Sanjeev Gupta in 1994. The partners have more than three decades of experience in the said business.

- **Average financial riskprofile**

The financial risk profile is average marked by low networth, moderate gearing and comfortable debt protection metrics. The net worth stood at Rs. 4.96 crore as on 31 March, 2017 compared to Rs.4.21 crore as on 31 March, 2016. The gearing stood at 2.11 times as on 31 March, 2017 as against 2.81 times as on 31 March, 2016. The Interest Coverage Ratio (ICR) stood at 1.55 times in FY2017 as against 1.36 times in FY2016. The Total Outside Liabilities to Tangible Networth (TOL/TNW) stood at 2.13 times in FY2017 and 3.65 times in FY2016.

Weaknesses

- **Low profitability**

The EBITDA margin stood low at 3.41 percent in FY2017 compared to 3.59 percent in FY2016. The firm reported profit of Rs.0.01 crore in FY2017 with PAT margin of 0.04 percent. The profitability margins are low due to fluctuation in raw material prices.

- **Working capital intensive operations**

The operations are working capital intensive marked by high Gross Current Assets days of 119 in FY2017 and 171 in FY2016. The Inventory days were high at 40 days in FY2017 and 95 days in FY2016. The average bank limit utilisation stood at ~100 percent in the last six months ended 31st December, 2017.

- **Volatility in prices and agro- climatic risks**

Paddy prices are driven by market forces of supply and demand. A bumper harvest can bring down the

price significantly while erratic rainfall coupled with lack of irrigation facilities in major areas may result in a sharp increase in the price. Volatility in farm harvest prices thus is an inherent risk affecting the top-line as well as inventory management.

Analytical Approach

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

Outlook: Stable

SMERA believes that KRDM will maintain a stable outlook in the medium term on account of its experienced management and established operational track record. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected growth in revenue and net cash accruals while maintaining better profit margins. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected growth in revenue and profitability, or deterioration in the financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	37.57	35.11	30.79
EBITDA	Rs. Cr.	1.28	1.26	0.71
PAT	Rs. Cr.	0.01	0.01	0.01
EBITDA Margin (%)	(%)	3.41	3.59	2.30
PAT Margin (%)	(%)	0.04	0.04	0.03
ROCE (%)	(%)	6.25	7.02	10.76
Total Debt/Tangible Net Worth	Times	2.11	2.81	2.66
PBDIT/Interest	Times	1.55	1.36	1.24
Total Debt/PBDIT	Times	6.96	9.40	11.05
Gross Current Assets (Days)	Days	119	171	116

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

Not Any

Any other information

Not Applicable

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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.00	SMERA BB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.43	SMERA BB- / Stable
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	3.57	SMERA BB- / Stable

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ABOUT SMERA

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