

Press Release

14 March, 2017



L S Rice Exports Private Limited

Rating Assigned

Total Bank Facilities Rated *	Rs.6.00 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. 6.00 crore bank facilities of L S Rice Exports Private Limited (LSREPL). The outlook is '**Stable**'.

The Punjab-based LSREPL, established in 2008 by Directors, Mr. Sanjay Kumar Goel, Mr. Jeevan Kumar, Mr. Sunil Goel and others is engaged in the milling and processing of paddy to basmati rice. The company procures paddy rice from local farmers and mandis in Punjab. The manufacturing unit is located at Patiala and has production capacity of 8 tonnes per hour.

Key Rating Drivers

Strengths

Experienced management

The Directors collectively have two decades of experience in the rice processing business. The extensive experience has helped the company develop long term relations with customers and suppliers.

Moderate scale of operations and profitability

The scale of operations is moderate with operating income of Rs. 46.35 crore for FY2017 as against Rs. 47.37 crore in FY2016. The operating margins have improved to 4.09 per cent in FY2017 as against 3.80 per cent in FY2016. This is mainly on account of decline in raw material prices.

Moderate financial risk profile

The networth stood at Rs. 4.49 crore as on 31 March, 2017 as against Rs. 4.38 crore as on 31 March, 2016. The gearing deteriorated to 2.92 times as on 31 March, 2017 as against 1.82 times as on 31 March, 2016. This is due to increase in total debt to Rs. 13.13 crore as on 31 March, 2017 which comprises outstanding term loans of Rs. 0.55 crore, unsecured loans of Rs. 1.84 crore and CC and Warehouse receipt of Rs. 10.74 crore. The Interest Coverage ratio improved to 1.57 times in FY2017 as compared to 1.54 times in FY2016. The DSCR stood at 1.23 times in FY2017 as against 1.24 times in FY2016. The TOL/TNW stood at 3.72 times as on 31 March, 2017 as against 2.11 times as on 31 March, 2016.

Weaknesses

Working capital intensive operations

The operations are working capital intensive. The company's business was affected by demonetisation in the last financial year. The company had GCA of 141 days in FY2017 as against 76 days in FY2016 mainly on account of high inventory days of 125 in FY2017 as compared to 55 days in FY2016.

Competitive and fragmented nature of rice milling business

Rice milling is a highly competitive industry due to low entry barriers which results in intense competition from organized as well as unorganised players. LSPEPL is engaged in the milling of paddy and thus faces competition from other players in the industry.

Agro climatic risks and exposure to fluctuations in raw material prices

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.

The company is exposed to risks related to fluctuation in raw material prices, demand outlook and production.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of L S Rice Exports Private Limited to arrive at the rating.

Outlook: Stable

SMERA believes that the company will maintain a stable outlook on account of the extensive experience of the management in the rice milling business and established relations with customers. The outlook may be revised to 'Positive' in case of sustained increase in revenue 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.	46.35	47.37	39.26
EBITDA	Rs. Cr.	1.90	1.80	2.09
PAT	Rs. Cr.	0.12	0.09	0.09
EBITDA Margin	(%)	4.09	3.80	5.31
PAT Margin	(%)	0.25	0.19	0.22
ROCE	(%)	9.55	8.80	18.90
Total Debt/Tangible Net Worth	Times	2.92	1.82	3.24
PBDIT/Interest	Times	1.57	1.54	1.34
Total Debt/PBDIT	Times	6.93	4.38	6.64
Gross Current Assets (Days)	Days	141	76	187

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>
- Entity in Manufacturing Sector - <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

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	5.00	SMERA BB- / Stable (Assigned)
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.11	SMERA BB- / Stable (Assigned)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.89	SMERA BB- / Stable (Assigned)

Contacts:

Analytical	Rating Desk
Suman Chowdhury, President- SMERA Bond Ratings Tel: 022-67141107 Email: suman.chowdhury@smera.in	Varsha Bist, Manager- Rating Desk Tel: 022-67141160 Email: varsha.bist@smera.in
Disha N. Parmar, Rating Analyst Tel: 022-67141120 Email: disha.parmar@smera.in	

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details please visit www.smerra.in.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smerra.in) for the latest information on any instrument rated by SMERA.