

Press Release

Vinod Rice Mill Private Limited

April 02, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 85.00 Cr.
Long Term Rating	SMERA BBB-/Stable (Assigned)

*Refer annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA BBB-**' (read as SMERA triple B minus) on the Rs. 85.00 crore bank facilities of Vinod Rice Mill Private Limited (VRMPL). The outlook is '**Stable**'.

VRMPL, a Delhi-based partnership firm was established in 1994 and converted to private limited in 2004. The company headed by Mr Vinod Gheek, and Mr Madan Gheek (Directors) is engaged in the processing, milling and export of basmati and non-basmati rice. The manufacturing facility is located at Delhi and Punjab (associate unit). The installed capacity stands at 100000 metric tonnes per annum for milling, processing and sorting. The company sells its products under the brand name of "Regale" in Delhi and also exports to UK, Europe, Middle East, Russia and Canada.

Key Rating Drivers

Strengths

Established track record of operations and experienced management

The company is led by Mr Vinod Gheek, and Mr Madan Gheek (Directors) who possess extensive experience in the industry. This has helped the company develop long term relations with customers.

SMERA believes that VRMPL will sustain its existing business profile on the back of its established track record of operations and experienced management.

Moderate financial risk profile

The financial risk profile is moderate marked by tangible net worth of Rs. 31.23 crore (includes Rs. 5.00 crore considered as quasi equity) as on 31 March, 2017. The total debt of Rs. 72.76 crore outstanding as on 31 March, 2017 comprises Rs.1.20 crore of term loan from bank, Rs. 0.27 crore as unsecured loan from promoters and Rs. 71.29 crore of working capital borrowings from the bank. The gearing stood at a high of 2.33 times as on 31 March, 2017 as against 1.74 times as on 31 March 2016. The Interest Coverage Ratio stood at 1.95 times in FY2017 and 1.40 times in FY2016. The DSCR stood at 1.56 times in FY2017 as against 1.40 times in FY2016.

The Net Cash Accruals stood at Rs.2.61 crore in FY2017 as against Rs.1.73 crore in FY2016. The NCA/TD ratio stood at 0.04 times in FY2017 as against 0.03 times in FY2016. SMERA believes

that VRMPL will sustain its financial risk profile backed by healthy accruals over the near to medium term.

Comfortable working capital cycle

The working capital cycle of VRMPL is comfortable at 88 days in FY2017 as against 95 days in FY2016. The inventory holding period decreased to 65 days in FY2017 from 73 days in FY2016. The receivable days are also comfortable at 27 days in FY2017 as against 23 days in FY2016. The average bank limit utilisation stood at 55 percent for the last six months ended February 2018. SMERA believes that the company will maintain efficient working capital management over the near to medium term on account of adequate availability of funds.

Weaknesses

Susceptibility of profitability margins to volatility in raw material prices and forex rates

Paddy is the major raw material required and since rice is a seasonal crop and the production is highly dependent on monsoon season. The company is exposed to risk as paddy prices are largely dependent on several external factors including international and domestic demand and production. Further, VRMPL exports around 80 percent of its total produce to UK, Dubai and Iraq. As a result the margins are susceptible to fluctuations in forex rates in the absence of hedging mechanism. Any adverse change in exchange rates can impact the debt protection indicators of VRMPL.

Competitive and fragmented nature of rice milling business

VRMPL operates in a highly competitive and fragmented industry characterised by a large number of unorganised as well as organised players thereby affecting the profitability margins of the company.

Analytical Approach

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

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>

Outlook -Stable

SMERA believes that VRMPL will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenue while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in revenue, profit margins, deterioration in the financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	346.63	234.59	327.01
EBITDA	Rs. Cr.	8.03	5.80	10.31
PAT	Rs. Cr.	2.15	1.28	2.72
EBITDA Margin (%)	(%)	2.32	2.47	3.15
PAT Margin (%)	(%)	0.62	0.54	0.83
ROCE (%)	(%)	8.53	6.78	18.50
Total Debt/Tangible Net Worth	Times	2.33	1.74	2.80
PBDIT/Interest	Times	1.95	1.56	1.78
Total Debt/PBDIT	Times	8.73	7.49	7.57
Gross Current Assets (Days)	Days	98	100	106

Status of non-cooperation with previous CRA (if applicable): None

Any other information

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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	85.00*	SMERA BBB-/Stable

*Includes sublimit as EPC/PCFC/FBP/FBD

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ABOUT SMERA

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