

Press Release

Batra Rice Mills (BRM)

April 2, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs.30.00 Cr.
Long Term Rating	SMERA BB-/ Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA BB-**' (read as **SMERA double B minus**) to the Rs.30.00 crore bank facility of Batra Rice Mills (BRM). The outlook is '**Stable**'.

Established in 1969, BRM is a Haryana-based firm established by Mr. Mohinder Mohan Batra and Mrs. Seema Batra. The firm is engaged in the milling of basmati rice and has installed capacity of 8 tons per hour (tph) for rice milling and a sortex plant with capacity of 6 tph at its facility at Karnal.

Key rating drivers

Strengths

Experienced management: The proprietor, Mr. Mohinder Mohan Batra has around four decades of experience in the rice milling business. The day-to-day operations of the entity are managed by Mr. Veekesh Batra (son) who possesses experience of around a decade in rice milling business.

Growth in revenues along with profitability margins: BRM has registered growth in revenue along with profitability margins during the past two years. The revenue for FY2017 stood at Rs.125.36 crore as against Rs.88.97 crore in FY2016 supported by increase in demand for basmati rice. The firm generated revenue of ~Rs.110 crore from April 2017 to February 2018 (Provisional). It majorly caters to the domestic market. The profitability margins improved during the period under study with EBITDA margin at 3.51 per cent in FY2017 as against 3.03 per cent in FY2016. The margins improved on account of a good crop in FY2017 and decline in raw material cost over FY2016.

Proximity to rice growing area: The manufacturing facility of BRM is located at Karnal (Haryana), which offers proximity to raw material given that the area has ample production of basmati rice. A number of rice mundis are located in Haryana. BRM procures raw material (paddy) from the local mundis of Haryana as well as from Uttar Pradesh and Delhi.

Weaknesses

Working capital intensive operations: BRM has working capital intensive operations marked by high Gross Current Asset (GCA) days of 179 days in FY2017 as against 163 days in FY2016. This is majorly on account of high inventory holding period of 171 days in FY2017 as against 123 days in FY2016. The rice business is working capital intensive because of the need to store large quantities of paddy as the harvesting season is during September-November. Also, companies store rice in order to 'age' which improves its characteristics in terms of taste, aroma etc. and thus fetches better realisation. The debtor days stood at 13 days in FY2017 compared to 44 days in FY2016.

Constrained financial risk profile: The financial risk profile is marked by low net worth, high gearing levels and modest debt protection metrics. The net worth stood at Rs.6.95 crore as on 31 March, 2017 compared to Rs.6.91 crore as on 31 March, 2016. The gearing increased from 5.06 times as on 31 March, 2016 to 8.27 times in the previous year. The firm has short term debt of Rs.44.27 crore and unsecured

loans of Rs.13.22 crore as on 31 March, 2017. The Interest Coverage Ratio (ICR) increased to 1.16 times as on 31 March, 2017 compared to 1.14 times as on 31 March, 2016. The Net Cash Accruals to Total Debt (NCA/TD) stood at 0.01 times over the years under review.

Analytical approach: SMERA has considered the standalone business and financial risk profiles of BRM.

Outlook – Stable

SMERA believes that BRM will maintain a stable outlook on account of the management's extensive experience in the rice milling business and steady increase in revenue. The outlook may be revised to 'Positive' in case of sustained increase in revenue and accruals while improving its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenue and accruals or further elongation of working capital cycle.

About the rated entity Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	125.36	88.97	102.17
EBITDA	Rs. Cr.	4.40	2.70	2.21
PAT	Rs. Cr.	0.09	0.08	0.08
EBITDA Margin	(%)	3.51	3.03	2.17
PAT Margin	(%)	0.07	0.09	0.08
ROCE	(%)	7.32	6.54	11.70
Total Debt/Tangible Net Worth	Times	8.27	5.06	3.88
PBDIT/Interest	Times	1.16	1.14	1.20
Total Debt/PBDIT	Times	13.08	12.97	11.83
Gross Current Assets (Days)	Days	179	163	113

Any other information:

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Entities 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>

Status of non-cooperation with previous CRA (if applicable): Not Applicable.

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	30.00	SMERA BB-/ Stable (Assigned)

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ABOUT SMERA

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