

Press Release

Radha Rice Mill

June 18, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 15.00 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB-**' (**read as ACUITE BB minus**) and short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs. 15.00 crore bank facilities of Radha Rice Mill. The outlook is '**Stable**'.

Radha Rice Mills, a West Bengal based partnership firm was established in the year 1988 by Mr. Pradip Kumar Agarwala and Mr. Tarun Kumar Agarwala. The firm is engaged in milling and processing of basmati and non-basmati rice with a milling capacity of 180 MT per day.

Key Rating Drivers

Strengths

- **Experienced management and long track record of operations:**

The promoter of the firm Mr. Pradip Kumar Agarwala has over three decades of experience in the same line of business. Prior to Radha Rice Mill, Mr. Pradip Kumar Agarwala was previously engaged into rice milling activity through Hemraj Rice Mills owned by his father. Hence, experienced management and long track record of operations has helped the firm to establish healthy relationships with the customers.

- **Efficient working capital management:**

This efficient working capital management of the company - marked by low GCA days of 48 days in FY2018 (provisional) as compared to 79 days in FY2017. The company reported low inventory days of 4 days in FY2017-18 (provisional) as against 5 days in the previous year. The debtor days stood at 34 days as on 31st March 2018 (provisional) as against 64 days in the previous year. This is primarily because majority of the sales of the company are realized in cash with minimal credit periods being extended to its clients. Further, the company's procurement policies are purely order backed - resulting in timely turnover of inventory and limiting the company's working capital requirements. The prudent working capital management has resulted in modest bank limit utilization of around 50-60 percent for the last six months ended April 2018. RRM's ability to manage its debtors and ensure timely offtake of the inventory to remain key credit monitorables.

Weaknesses

- **Average financial risk profile:**

The company is having average financial risk profile marked by low net worth, comfortable gearing and interest coverage ratio. The net worth of the company stood at Rs.7.60 crore as on 31st March 2018 (provisional) as against Rs.4.40 crore in the previous year. The gearing of the company stood at 0.61 times as on 31st March 2018 (provisional) as against 1.95 times in the previous year. The total debt of Rs.4.63 crore as on 31st March 2018 (provisional) consists of unsecured loans from promoters of Rs.1.13 crore and short term borrowings of Rs.3.50 crores. The interest coverage ratio of the company

stood at 4.13 times in FY18 (provisional) as against 3.26 times in the previous year.

• Low profitability margins:

RRM's operating profit margin continues to remain low at 0.95 per cent in FY2017-18 (provisional) as against 0.92 per cent in FY2016-17. This is primarily on account of competitive pressures being faced by the company and also volatility in rice prices in the domestic and international markets. Further, for FY2018 (provisional), the company has reported EBIDTA margin of 1.86 percent and PAT margin of 0.12 percent.

• Agro climatic risks and tender based nature of business:

Paddy which is the main raw material required for rice is a seasonal crop and the production of the same is highly dependent upon monsoon season. Thus inadequate rainfall may affect the availability of paddy in adverse weather conditions. Also the revenue of the company is dependent on the quantum of tenders received from the government.

Analytical Approach

ACUITE has considered the standalone financials of the company.

Outlook: Stable

ACUITE believes that outlook for RRM will remain stable over medium term on the account of management's experience in the rice milling business. The outlook may be revised to Positive if the company achieves higher than expected revenue while maintaining effectively managing its working capital cycle. Conversely, the outlook may be revised to Negative in case of significant deterioration in the financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	102.45	78.14	51.62
EBITDA	Rs. Cr.	0.97	0.72	0.78
PAT	Rs. Cr.	0.21	0.18	0.07
EBITDA Margin	(%)	0.95	0.92	1.50
PAT Margin	(%)	0.21	0.23	0.13
ROCE	(%)	4.43	4.66	11.55
Total Debt/Tangible Net Worth	Times	0.61	1.95	0.38
PBDIT/Interest	Times	4.13	3.26	1.96
Total Debt/PBDIT	Times	4.57	11.14	3.03
Gross Current Assets (Days)	Days	48	79	57

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

Not Applicable

Any other information

ACUITE has not received banker feedback for the same despite of several follow ups.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.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. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.25	ACUITE BB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.20	ACUITE BB- / Stable
Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	8.55	ACUITE A4+

*The cash credit facility of Rs.6.25 crores consists of sublimit of EPC/PCFC of Rs.6.25 crore and FBN/FBP/FBN/PSFC of Rs.6.25 crore

Contacts

Analytical	Rating Desk
Suman Chowdhury President - Rating Operations Tel: 022-67141107 suman.chowdhury@acuite.in Deep Majumder Analyst - Rating Operations Tel: 022-67141147 deep.majumder@acuiteratings.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

Disclaimer: An Acuité 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. Acuité 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, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité 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. Acuité 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.acuite.in) for the latest information on any instrument rated by Acuité.