Press Release

Radha Rice Mill

July 05, 2019

Rating Reaffirmed

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

** Refer Annexure for details*

Rating Rationale

Acuité has reaffirmed the long-term rating of **'ACUITE BB-' (read as ACUITE double B minus)** and short term rating of **'ACUITE A4+' (read as ACUITE A4 plus)** to the Rs.15.00 crore bank facilities of Radha Rice Mill (RRM). 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. The firm has a milling capacity of 10 tons per hour.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the RRM to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management and long track record of operations**
  The promoters 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 engaged in 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 and suppliers.

- **Efficient working capital management**
  The efficient working capital management of the firm is marked by GCA of 52 days in FY2018 as compared to 79 days in FY2017. The firm continues to effectively manage its inventory as evident by inventory days of 4 as on March 31, 2018. The debtor days stood at 41 as on 31 March, 2018 as against 64 days in the previous year. This is primarily because majority of the sales of the firm are realised in cash with minimal credit period being extended to its customers. Further, the firm's procurement policies are purely order backed resulting in timely turnover of inventory and limiting the firm's working capital requirements. The prudent working capital management has resulted in modest bank limit utilisation of around 50-60 percent for the last six months ended May 2019.
  Acuité believes that RRM's ability to manage its debtors and ensure timely offtake of the inventory will remain key credit monitorables.

- **Proximity to raw materials**
  The processing facility of RRM is located at Burdwan (West Bengal) which is one of the major rice producing states in India, thus providing proximity to paddy and contributes around 90 percent in the total rice requirement of the firm. Further, the firm also procures rice from other neighbouring states including Bihar, Orissa, Jharkhand and Chhattisgarh.

Weaknesses

- **Moderate financial risk profile**
  The firm has average financial risk profile marked by moderate net worth, gearing and interest coverage ratio. The net worth of the firm stood at Rs.7.38 crore as on 31 March, 2018 as against Rs.4.40 crore in the previous year. The increase in the net worth is on account of infusion of funds by the partners. The gearing of the firm stood at 0.63 times as on 31 March, 2018 as against 1.95 times in the previous year. The total debt of Rs.4.61 crore as on 31 March, 2018 consists of unsecured loans from promoters of Rs.1.12 crore, term loan of Rs.0.45 crore and short-term borrowings of Rs.3.05 crore. Increase in scale of operations coupled with improving profitability have led to improvement in debt protection measures. The interest coverage ratio of the firm stood at 3.83 times in FY18 as against 3.26 times in the previous year. The NCA/TD ratio stood at 0.31 times in FY18 as against 0.05 times in the previous year.
  Acuité believes that the financial risk profile of RRM will continue to remain moderate over the medium term on account of its improving financial risk profile and conservative leverage policy.

- **Low profitability**
  RRM's operating profit margin continues to remain low at 1.86 per cent in FY2018 as against 0.92 per cent in FY2017. Net profit margins stood at 0.95 per cent in FY2018 against 0.23 per cent in FY2017. This is primarily on account of competitive pressures being faced by the firm and also volatility in rice prices in the domestic and international markets.

- **Agro climatic risks and tender based nature of business**
  Paddy, 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. In addition, the revenue of the firm is dependent on the quantum of tenders received from the government.

Liquidity Position:

Liquidity of RRM is adequate as evident by net cash accruals of Rs.1.42 crore against repayment obligations of Rs. 0.45 crore. The firm manages its working capital efficiently as evident by GCA days of 52 in FY2018. This has led to moderate reliance on working capital borrowings. The working capital limits in the firm remained utilised at 50-60 per cent during the last 6 months ended May 2019. The firm maintains unencumbered cash and bank balances of Rs.0.10 crore as on March 31, 2018. The current ratio stood at 1.51 times as on March 31, 2018. Acuité believes that the liquidity of the firm will remain comfortable over the near to medium term because of increasing net cash accruals and absence of any debt funded capex plans.

Outlook: Stable

Acuité believes that the outlook on 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 firm achieves higher than expected revenue while improving profitability and 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 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	101.75	78.14	51.62
EBITDA	Rs. Cr.	1.89	0.72	0.78
PAT	Rs. Cr.	0.97	0.18	0.07
EBITDA Margin	(%)	1.86	0.92	1.50
PAT Margin	(%)	0.95	0.23	0.13
ROCE	(%)	11.80	4.66	11.55
Total Debt/Tangible Net Worth	Times	0.63	1.95	0.38
PBDIT/Interest	Times	3.83	3.26	1.96
Total Debt/PBDIT	Times	2.40	11.14	3.03
Gross Current Assets (Days)	Days	52	79	57

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

Any other information
Acuité is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups.

Applicable Criteria

- Default Recognition - https://www.acuite.in/view-rating-criteria-17.htm
- Manufacturing Entities - https://www.acuite.in/view-rating-criteria-4.htm
- Trading Entities - https://www.acuite.in/view-rating-criteria-6.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)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
18-Jun-2018	Cash credit	Long Term	6.25	ACUITE BB- / Stable (Assigned)
	Term Loan	Long Term	0.20	ACUITE BB- / Stable (Assigned)
	Proposed Short Term Facility	Short Term	8.55	ACUITE A4+ (Assigned)

*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 (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.20	ACUITE BB- / Stable (Reaffirmed)
Proposed Short Term Facility	Not Applicable	Not Applicable	Not Applicable	8.55	ACUITE A4+ (Reaffirmed)

Contacts

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