

Press Release

Radha Rice Mill

August 28, 2020



Rating Upgraded and Assigned

Total Bank Facilities Rated	Rs. 10.00 crore (Reduced from Rs 15.00 crore)
Long Term Rating	ACUITE BB/ Stable (Upgraded from ACUITE BB-/ Stable)

* Refer Annexure for details

Rating Rationale

Acuité has upgraded the long term rating to '**ACUITE BB**' (**read as ACUITE double B**) from '**ACUITE BB-**' (**read as ACUITE double B minus**) on the Rs 10.00 crore bank facilities of Radha Rice Mill (RRM). The outlook is '**Stable**'.

The rating upgrade reflects the rise in demand for rice and other essential commodities during pandemic, which is expected to be sustained over the medium term. The rating upgrade also takes into account the sustained profitability, prudent working capital operations and moderate financial risk profile. Further, the firm has been able to manage its liquidity position even during the pandemic.

Established in 1988 as a partnership firm, Radha Rice Mill (RRM) is a Katwa, West Bengal based firm engaged in milling and processing of non-basmati rice with an installed capacity of 43200 tons per annum. The firm procures paddy locally from farmers in Katwa and villages nearby and sells to retailers in West Bengal. The firm also exports to companies located in Singapore and Benin. Currently, RRM is managed by its partners Mr. Pradip Kumar Agarwala and Mrs. Madhu Agarwala.

Analytical Approach

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

Key Rating Drivers

Strengths

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

Established in 1988, the firm is engaged in milling and processing of non-basmati rice. The partner of the firm, Mr. Pradip Kumar Agarwala has experience of more than three decades in the same line of operations as he was engaged in rice milling activity through Hemraj Rice Mills owned by his father. Acuité believes that RRM shall continue to benefit from the extensive industry experience of its promoters in improving its business risk profile over the medium term.

- **Prudent working capital operations**

The working capital operations of RRM stood well managed marked by GCA (Gross Current Assets) Days of 79 days in FY 2020 (Provisional) as compared to 58 days in the previous year in FY 2019. The inventory days stood well managed at 8 days in FY 2020 (Provisional) similar to 7 days in the previous year. The debtor days stood moderate at 67 days in FY 2020 (Provisional) as compared to 39 days in FY 2019. The working capital borrowings remained utilized at an average of only around 48 percent for 6 months ended July, 2020. The working capital operations are expected to remain at similar levels over the medium term due to the payment terms with its customers and suppliers.

- **Healthy financial risk profile**

The financial risk profile of the firm is marked by moderate networth, comfortable gearing level, and healthy debt protection metrics. The tangible networth stood at Rs 8.04 crore as on 31st March, 2020 (Provisional) as compared to Rs 7.82 crore in the previous year. The gearing (debt-equity) stood comfortable at 0.60 times as on 31st March, 2020 (Provisional) as compared to 0.40 times in the previous year. The total debt of Rs 4.81 crore as on 31st March, 2020 (Provisional) consist of working capital borrowings of Rs 4.18 crore, unsecured loan from directors of Rs 0.55 crore and term loan of Rs 0.08 crore. The coverage indicators stood moderate marked by Interest coverage ratio (ICR) which stood at 3.31 times for FY 2020 (Provisional) as compared to 3.99 times in FY 2019 and DSCR (Debt

Service Coverage Ratio) stood at 3.31 times as against 3.55 times in the previous year. NCA/TD (Net Cash Accruals to Total Debt) ratio stood at 0.14 times in FY 2020 (Provisional) and 0.19 times in FY2019. Debt to EBITDA stood at 5.10 times in FY 2020 (Provisional) as against 3.37 times in FY2019. The financial risk profile is expected to remain at similar levels over the medium term in the absence of any debt-funded capex plan.

Weaknesses

- **Moderate scale of operation and low profitability**

The revenue of the company stood at Rs 75.19 crore in FY 2020 (Provisional) as compared to Rs 93.79 crore in FY 2019. The profitability stood thin reflects by the operating margin of 1.20 percent in FY 2020 (Provisional) as compared to 0.93 percent in FY 2019. The PAT margin stood low at 0.39 percent in FY 2020 (Provisional) as compared to 0.21 percent in FY 2019.

- **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.

Rating Sensitivity

- Sustained profitability
- Improvement in the operating income

Material Covenants

None

Liquidity Profile: Adequate

RRM has adequate liquidity marked by moderate cash accruals to its maturing debt obligations. The company generated cash accruals of Rs 0.60-0.66 crore in FY 2019-2020 (Provisional) while its maturing debt obligations were around Rs 0.35-0.08 crore during the same period. The cash accruals of the firm are estimated to remain in the range of around Rs. 0.69-0.86 crore during 2021-23 against estimated repayment obligation of around Rs. 0.14-0.19 crore during FY 2021- 2023. The working capital operations of the company stood well managed marked by GCA (Gross Current Assets) Days of 79 days in FY 2020 (Provisional) as compared to 58 days in the previous year. The firm maintains unencumbered cash and bank balances of Rs. 0.53 crore as on March 31, 2020 (Provisional). The current ratio stood at 1.43 times as on March 31, 2020 (Provisional). The working capital limits remained utilized at an average of around 48 percent for 6 months ended in July, 2020. Acuité believes that the liquidity of the company is likely to remain at similar levels over the medium term.

Outlook: Stable

Acuité believes that Radha Rice Mill's outlook will remain 'Stable' over the medium term from its experienced management and prudent working capital cycle. The outlook may be revised to 'Positive' in case of growth in revenues and profitability while sustaining its financial risk profile. The outlook maybe revised to 'Negative' in case of a steep decline in revenues and profitability or increasing working capital intensity.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	75.19	93.79
PAT	Rs. Cr.	0.20	0.20
PAT Margin	(%)	0.27	0.21
Total Debt/Tangible Net Worth	Times	0.60	0.40
PBDIT/Interest	Times	3.31	3.99

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities- <https://www.acuite.in/view-rating-criteria-59.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
05-Jul-2019	Cash Credit	Long Term	6.25	ACUITE BB-/Stable (Reaffirmed)
	Term Loan	Long Term	0.20	ACUITE BB-/Stable (Reaffirmed)
	Proposed Short Term facility	Short Term	8.55	ACUITE A4+ (Reaffirmed)
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	7-Nov-2019	Not Applicable	Not Applicable	6.25	ACUITE BB/ Stable (Upgraded from ACUITE BB-/ Stable)
Term Loan	7-Nov-2019	Not Applicable	Not Available	0.18 (Reduced from Rs 0.20 crore)	ACUITE BB/ Stable (Upgraded from ACUITE BB-/ Stable)
Working Capital Term Loan	9-Jul-2020	Not Applicable	Not Applicable	0.58	ACUITE BB/ Stable (Assigned)
Proposed long term facility	Not Applicable	Not Applicable	Not Applicable	2.99	ACUITE BB/ Stable (Assigned)

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About Acuité Ratings & Research:

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