

Press Release

Radha Rice Mill

October 06, 2021



Rating Reaffirmed & Assigned

Total Bank Facilities Rated	Rs. 15.00 crore
Long Term Rating	ACUITE BB/Stable (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long term rating of '**ACUITE BB (read as ACUITE double B)**' to the Rs. 15.00 crore bank facilities of Radha Rice Mill. The outlook remains '**Stable**'.

The rating on RRM takes cognizance of the long-standing experience of the partners and long track record of operations of the firm. These strengths are, however, constrained by the modest scale of operations, working capital intensive nature of operations and competitive and fragmented nature of the industry.

About the firm

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

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of Radha Rice Mill (RRM) to arrive at the rating.

Key Rating Drivers

Strengths

- Experienced management**

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.

- Moderate financial risk profile**

The firm's moderate financial risk profile is marked by modest but improving networth, low gearing and healthy debt protection metrics. The net worth of the firm stood at Rs.8.70 crores as on 31 March, 2021 (Provisional) as against Rs. 7.95crores as on 31st March, 2020. The gearing (debt-equity) stood low at 0.42times as on March 31,2021 (Provisional) as compared to 0.55 times as on March 31,2020. The total debt of Rs. 3.54 crores as on March 31, 2021 (Provisional) consists of mainly short-term borrowings of Rs. 2.61crores and term loan of Rs.0.28 crores and unsecured loan from directors/promoters of Rs0.65 crores. The healthy debt protection metrics of the firm is marked by the interest coverage ratio (ICR) stood low at 2.72 times in FY2021 (Provisional) as compared to 3.39 times in FY2020 while DSCR stood at 2.50 times in FY2021(Provisional) as compared to 3.00 times in FY 2020. The NCA/TD stood low at 0.26 times in FY2021(Provisional). Acuité believes that going forward the financial risk profile of the firm will remain moderate in the absence of any major debt funded capex plans in the medium term.

Weaknesses

- **Modest scale of operation**

Radha Rice Mills has achieved revenues of Rs.93.87 Cr as at March 31,2021 (provisional) as compared to revenue of Rs.75.22 Cr as at March 31, 2020. The growth in top line is on account of better order flow and execution and increased demand for rice and related products both in domestic sector and foreign countries.

- **Working capital intensive operations**

The working capital-intensive nature of operations of the firm is marked by high Gross Current Assets (GCA) of 104 days as on March 31, 2021 (provisional) similar as against 74 days as on March 31, 2020. The high GCA days are on account of high debtor period which stood at 91 days as on March 31, 2021, as compared to 61 days as on 31st March 2020. The debtors are primarily high due to inherent nature of the business. In FY20, the significant fall in debtors were in line with the Indian ports facing serious inland service shortages amid a countrywide lockdown, exporters and importers were scrambling to move cargo in and out of terminals across the country. However, the inventory period stood low at 9 days as on 31st March 2021 (prov.) against 8 days in the previous year. Going forward, Acuite believes that working capital management of the firm will remain a key credit monitorable.

- **Competitive and fragmented industry**

The firm is engaged in engaged in milling and processing of basmati and non-basmati rice business. The sector is marked by the presence of several mid to big size players. The firm faces competition from the other players in the sectors. Risk becomes more pronounced as tendering is based on the minimum amount of bidding of contracts. However, this risk is mitigated to an extent as the promoters have been operating in this environment for more than six decades.

Rating Sensitivity

- Growth in revenue along with improvement in profitability margins
- Elongation in working capital cycle
- Deterioration in capital structure

Material Covenants

None

Liquidity position: Adequate

RRM has adequate liquidity position marked by adequate cash accruals of Rs.0.79 crores as on March 31,2021 (Provisional) as against its maturing debt obligations of Rs. 0.13 crore over the same period. The fund-based limits remained utilized at an average of around 1.17percent for 13months ended June 2021. The firm maintains unencumbered cash and bank balances of Rs.1.15 crore as on March 31, 2021 (Provisional). The current ratio stood low at 1.23 times as on March 31, 2021 (Provisional) compared to 1.36 times as on March 31,2020. The firm has availed covid loan of Rs. 1.65 crores. However, the working capital operations of the firm are intensive marked by GCA (Gross Current Assets) Days of 104 days in FY 2021 (Provisional) as compared to 74 days in the previous year in FY 2020. Acuite believes that the liquidity of the firm is likely to remain at similar levels over the medium term.

Outlook: Stable

Acuite 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 Financials

	Unit	FY21 (Provisional)	FY20 (Actual)
Operating Income	Rs. Cr.	93.87	75.22
PAT	Rs. Cr.	0.34	0.20
PAT Margin	(%)	0.36	0.27
Total Debt/Tangible Net Worth	Times	0.42	0.55
PBDIT/Interest	Times	2.72	3.39

Status of non-cooperation with previous CRA

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios and Adjustments - <https://www.acuite.in/view-rating-criteria-53.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	Ratings/Outlook
			(Rs. Crore)	
28-Aug-2020	Cash Credit	Long term	6.25	ACUITE BB/ Stable (Upgraded)
	Term Loan	Long term	0.18	ACUITE BB/ Stable (Upgraded)
	Working Capital Term Loan	Long term	0.58	ACUITE BB/ Stable (Assigned)
	Proposed long term facility	Long term	2.99	ACUITE BB/ Stable (Assigned)
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-Sep-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

Instrument Information

Lender Name	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Axis Bank	Cash Credit	7-Nov-2019	Not Applicable	Not Applicable	6.25	ACUITE BB/ Stable (Reaffirmed)
Axis Bank	Packing Credit	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE BB/ Stable (Assigned)
Axis Bank	WCTL	9-Jul-2020	Not Applicable	Not Applicable	0.58	ACUITE BB/ Stable (Reaffirmed)
Not Applicable	Proposed fund-based facility	Not Applicable	Not Applicable	Not Applicable	4.17	ACUITE BB/ Stable (Reaffirmed)

About Acuité Ratings & Research

Acuité Ratings & Research 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 8,850 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 Kanjurmarg, 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 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