

## Press Release

### Radha Rice Mill

December 21, 2022



### Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	13.00	ACUITE BB   Stable   Reaffirmed	-
Bank Loan Ratings	2.00	-	ACUITE A4+   Reaffirmed
Total Outstanding Quantum (Rs. Cr)	15.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

### Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) and the short-term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.15.00 Cr bank facilities of Radha Rice Mill (RRM). The outlook remains '**Stable**'.

#### Rationale for the rating

The rating takes into account the experienced management and the above average financial risk profile of the firm marked by comfortable gearing and healthy debt coverage metrics. These strengths are, however, offset by the working capital intensive nature of operations and the competitive & fragmented industry.

#### About the Firm

Established in 1988, Radha Rice Mill (RRM) is a partnership firm managed by Mr. Pradip Kumar Agarwala. Based in Katwa, West Bengal, the firm is engaged in the milling and processing of basmati and non-basmati rice with an installed capacity of 54150 MTPA. The firm caters to the local market as well as exports to Dubai, Hong Kong and Singapore.

#### Analytical Approach

Acuite has considered the standalone business and financial risk profile of RRM to arrive at the rating.

#### Key Rating Drivers

#### Strengths

- Established track record of operations and experienced management

RRM has a long operational track record of more than three decades in the milling and processing of basmati and non-basmati rice. Moreover, the partner of the firm, Mr. Pradip Kumar Agarwala possess more than three decades of experience in the same line of operations thereby assisting in the development of healthy relationships with the clientele.

Acuité derives comfort from the experienced management and the long track record of the firm.

- **Above average financial risk profile**

The firm's above average financial risk profile is reflected by low but improving net worth base, comfortable gearing and healthy debt protection metrics. The tangible net worth of the firm increased to Rs.9.58 Cr as on March 31, 2022 from Rs.8.51 Cr as on March 31, 2021 due to accretion of reserves. Gearing of the firm stood below unity at 0.42 times as on March, 2022 and March, 2021, whereas, Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood moderate at 2.68 times as on March 31, 2022 as against 2.75 times as on March 31, 2021. Moreover, the healthy debt coverage metrics is marked by Interest Coverage Ratio (ICR) at 5.33 times as on March 31, 2022 and Debt Service Coverage Ratio at 4.72 times as on March 31, 2022. The Net Cash Accruals/Total Debt (NCA/TD) stood at 0.50 times as on March 31, 2022. Acuité believes that the financial risk profile of firm will continue to remain above average over the medium term, in absence of any major debt funded capex plans.

### **Weaknesses**

- **Dip in operating performance in H1 of FY2023**

RRM achieved subdued revenues of Rs.45.17 Cr till October'22 (provisional). The restrained H1 performance is due to reduction in the processing quantity on account of obtaining inferior quality of paddy. Further, the firm has achieved revenues of Rs.95.14 Cr in FY2022 as against Rs.95.23 Cr in FY2021. The moderation in the operating income is owing to dip in the volume of sales over the same period. However, in FY2022, the operating margin increased to 2.58 per cent from 2.17 per cent in FY2021 due to reduction in the material cost. The PAT margin rose to 1.57 per cent in FY2022 from 1.08 per cent in FY2021 owing to decrease in the finance cost. The RoCE improved to 15.29 per cent in FY2022 from 13.42 per cent in FY2021. Acuité believes that, going forward, slight moderation in the scale of operations is expected due to fall in paddy acreage amidst rainfall deficit in key producing states including West Bengal where paddy acreage declined by 3.65 lakh hectares.

- **Working capital intensive nature of operations**

The working capital intensive nature of operations of the firm is marked by gross current asset (GCA) of 117 days in FY2022 as against 106 days in the previous year. The modest GCA days are primarily on account of extended debtor period. The debtor period stood at 73 days as on March 31, 2022 as compared to 95 days in the previous year. However, the inventory period stood comfortable at 12 days as on 31st March, 2022 as compared to 9 days as on 31st March, 2021 on account of easy availability of raw material. Going forward, Acuité believes that the working capital management of the firm will remain moderate over the medium term as evident from the prolonged collection mechanism.

- **Competitive and Fragmented Industry**

The firm is engaged in the milling 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. Also, 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.

### **Rating Sensitivities**

- Improvement in the scale of operations while maintaining the profitability margins
- Sustenance in the capital structure
- Elongation in the working capital cycle

### **Material covenants**

None

### Liquidity position: Adequate

The firm's liquidity position is adequate marked by net cash accruals of Rs.2.03 Cr in FY2022 as against long term debt repayment of only Rs.0.06 Cr over the same period. The cash and bank balances of the firm stood at Rs.7.58 Cr in FY2022 as compared to Rs.1.15 Cr in FY2021. The current ratio stood moderate at 1.31 times as on 31st March, 2022 as compared to 1.29 times as on 31st March, 2021. The fund based limit utilization is only 0.37 per cent over the six months ended September, 2022. However, the working capital management of the firm is intensive in nature marked by Gross Current Assets (GCA) of 117 days in FY2022 as compared to 106 days in FY2021 due to extended collection mechanism. Acuité believes that going forward the firm's liquidity position will remain at similar levels due to steady net cash accruals.

### Outlook: Stable

Acuité believes that the outlook on RRM will remain 'Stable' over the medium term on account of the experience of the promoters, long track record of operations and the above average financial risk profile. The outlook may be revised to 'Positive' in case the firm registers growth in the revenues while sustaining their profit margins and capital structure. Conversely, the outlook may be revised to 'Negative' in case of sharp decline in the firm's revenues or profit margins, or in case of deterioration in the firm's financial risk profile and liquidity position.

### Other Factors affecting Rating

None

### Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	95.14	95.23
PAT	Rs. Cr.	1.50	1.03
PAT Margin	(%)	1.57	1.08
Total Debt/Tangible Net Worth	Times	0.42	0.42
PBDIT/Interest	Times	5.33	3.35

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

None

### 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>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](https://www.acuite.in)

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
06 Oct 2021	Cash Credit	Long Term	6.25	ACUITE BB   Stable (Reaffirmed)
	Packing Credit	Long Term	4.00	ACUITE BB   Stable (Assigned)
	Working Capital Term Loan	Long Term	0.58	ACUITE BB   Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	4.17	ACUITE BB   Stable (Reaffirmed)
28 Aug 2020	Proposed Bank Facility	Long Term	2.99	ACUITE BB   Stable (Assigned)
	Cash Credit	Long Term	6.25	ACUITE BB   Stable (Upgraded from ACUITE BB-   Stable)
	Term Loan	Long Term	0.18	ACUITE BB   Stable (Upgraded from ACUITE BB-   Stable)
	Working Capital Term Loan	Long Term	0.58	ACUITE BB   Stable (Assigned)
05 Jul 2019	Proposed Bank Facility	Short Term	8.55	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	6.25	ACUITE BB-   Stable (Reaffirmed)
	Term Loan	Long Term	0.20	ACUITE BB-   Stable (Reaffirmed)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Axis Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	2.00	ACUITE A4+   Reaffirmed
Axis Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	6.25	ACUITE BB   Stable   Reaffirmed
Axis Bank	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	Simple	6.75	ACUITE BB   Stable   Reaffirmed

## Contacts

Analytical	Rating Desk
Pooja Ghosh Vice President-Rating Operations Tel: 022-49294041 <a href="mailto:pooja.ghosh@acuite.in">pooja.ghosh@acuite.in</a>  Geeta Karira Analyst-Rating Operations Tel: 022-49294065 <a href="mailto:geeta.karira@acuite.in">geeta.karira@acuite.in</a>	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>

### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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.

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