

Press Release
Radha Rice Mill
March 08, 2024
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	-	-

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 considers the steady business risk profile of the firm, which is primarily driven by an increase in revenue. The firm's revenue increased to Rs 113.66 Cr. in FY2023 as against Rs 95.14 Cr. in FY2022, thereby registering a year-over-y growth of 11.09%. The increase in revenue in FY2023 can be attributed to more trading activities undertaken during the year than processing activity.

The rating also factors in a moderate financial risk profile marked by improving net worth, comfortable gearing, healthy debt protection metrics, and a steady scale of operations. The firm's liquidity is adequate marked by net cash accruals of Rs 1.13 Cr.as of FY2023 as against no long-term debt over the same period. The rating also draws comfort from its long-standing operations and experienced promoters.

These strengths are offset by the working capital-intensive nature of operations and the competitive and fragmented nature of the rice milling industry.

About the Company

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

Unsupported Rating

Not Applicable

Analytical Approach

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

Key Rating Drivers

Strengths

Long standing operations and experienced promoters

Established in 1988, RRM has a long operational track record of more than three decades in the milling and processing of 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. Acuité believes derives comfort from the experienced management and the long track record of the firm.

Steady scale of operations

The firm's revenue increased to Rs 113.66 Cr. in FY2023 as against Rs 95.14 Cr. in FY2022, thereby registering an y-o-y growth of 11.09 %. The increase in revenue in FY2023 can be attributed to more trading activities undertaken during the year than manufacturing. In the present year 8 months ended Nov 23, the firm had a turnover of Rs. 40.41 Cr. The performance was slightly subdued in present year due to bad crop season between April and December and thus lower availability of raw materials. The firm expects to clock about Rs. 90 Cr. of revenue in FY 24.

The operating profits of the firm decreased marginally to 1.92 per cent in FY2023 from 2.58 per cent in FY2022. The decrease in operating margin in FY2023 is because the firm could not pass the higher cost of procured inventory to end users. Going forward, the firm expects that the margin would remain at similar levels over the medium term. The PAT margin stood at 0.54% in FY2023 as compared to 1.57 % in FY2022. The ROCE levels stood at 17.33% in FY2023 as against 15.29 % in FY2022.

Moderate financial risk profile

The financial risk profile of the firm is marked by improving net worth, comfortable gearing and healthy debt protection metrics. The tangible net worth of the firm stood at Rs.10.89 Cr. as on FY2023 as compared to Rs.9.58 Cr. as on FY2022 due to accretion to reserves. The gearing of the firm stood at 0.17 times as on FY2023. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 3.74 times as on FY2023. The debt protection metrics of the firm remain moderate marked by Interest coverage ratio (ICR) of 2.00 times and debt service coverage ratio (DSCR) of 2.77 times for FY2023. The net cash accruals to total debt (NCA/TD) stood healthy at 0.61 times in FY2023.

Going forward, Acuité believes that the financial risk profile will remain moderate over the medium term, supported by steady accrual, moderate capital structure and debt protection metrics.

Weaknesses

Working capital intensive nature of operations

The working capital intensive nature of operations of the company improved as reflected by Gross Current Assets (GCA) of 143 days for FY2023 as compared to 117 days for FY2022. The debtor period stood at 98 days as on FY2023 as compared to 73 days as on FY2022. Further, the inventory days of the company stood at 10 days in FY2023 as compared to 12 days in FY2022. Creditors stood at 139 days as on FY2023.

Acuité believes that the working capital operations of the company will remain at the similar levels over the medium term.

Competitive and Fragmented Industry

The firm is 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 Sensitivities

- Improvement in the scale of operations while improving the profitability margins
- Elongation in the working capital cycle

Liquidity Position

Adequate

The firm has adequate liquidity marked by net cash accruals of Rs 1.13 Cr. as on FY2023 as

against no long-term debt over the same period. The cash and bank balance stood at Rs. 2.42 Cr for FY 2023. Further, the current ratio of the firm stood at 1.23 times in FY2023. The working capital cycle of the firm is marked by Gross Current Assets (GCA) of 143 days for FY2023 as compared to 117 days for FY2022. The bank limit of the firm has been ~53.9 percent utilized for the last six months ended in January 2024. The management has financial flexibility to bring in the funds in the business. As on March 31, 2023, the unsecured loan in the business were at Rs. 1.39 Cr. Acuité believes that the liquidity of the firm is likely to remain adequate over the medium term on account of low but steady cash accruals, small term debt repayments and financial flexibility of promoters to bring in funds in business over the medium term.

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 moderate financial risk profile. The outlook may be revised to 'Positive' in case the firm registers growth in the revenues while improving 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 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	113.66	95.14
PAT	Rs. Cr.	0.62	1.50
PAT Margin	(%)	0.54	1.57
Total Debt/Tangible Net Worth	Times	0.17	0.42
PBDIT/Interest	Times	2.00	5.33

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

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>
- 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, Acuite 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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
21 Dec 2022	Bank Guarantee (BLR)	Short Term	2.00	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	6.25	ACUITE BB Stable (Reaffirmed)
	PC/PCFC	Long Term	6.75	ACUITE BB Stable (Reaffirmed)
06 Oct 2021	PC/PCFC	Long Term	4.00	ACUITE BB Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	4.17	ACUITE BB Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	0.58	ACUITE BB Stable (Reaffirmed)
	Cash Credit	Long Term	6.25	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 avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.00	ACUITE A4+ Reaffirmed
Axis Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	4.25	ACUITE BB Stable Reaffirmed
Axis Bank	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	4.00	ACUITE BB Stable Reaffirmed
Axis Bank	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	4.00	ACUITE BB Stable Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.75	ACUITE BB Stable Reaffirmed

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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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