

Press Release

Fortune Rice Limited

June 22, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 40.00 Cr.
Long Term Rating	ACUITE BB+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB+**' (read as **ACUITE BB plus**) on the Rs. 40.00 crore bank facilities of Fortune Rice Limited. The outlook is '**Stable**'.

Incorporated in 2005, Fortune Rice Limited is engaged in milling and exporting varied range of Basmati and Non-Basmati rice. The company is promoted by Mr. Ajay Bhalothia and Mr. Dinesh Kumar. The manufacturing facility is located in Dadri, Uttar Pradesh with processing capacity of 70 M.T. per day. The company exports to the countries like U.K., Portugal, Spain, Germany, Re-union, Italy, Iran, Iraq, Kuwait, Jordan, Turkey, Saudi Arab (KSA), Oman, Bahrain, Djibouti, Canada Etc. The company has an installed capacity of 6TPH with actual production of 18,575 MT in 9mFY18.

Key Rating Drivers

Strengths

- **Experienced management**

The company is promoted by Mr. Ajay Bhalothia and Mr. Dinesh Kr Choudhary, both having experience of 22 years in the rice milling industry. On account of their long standing in market and strong background company enjoy robust relationship with many large and midsized traders, dealers and distributors of paddy, etc. The Company has already established itself in the domestic as well as the in overseas market and the product of the company has been well accepted. FRL is exporting rice mainly to U.K. and Middle East.

- **Moderate Financial Risk Profile**

The company reported tangible networth of Rs. 13.05 crore as on March 31, 2017 as compared to Rs. 12.20 crore as on March 31, 2016. Total debt stands at Rs. 34.37 cr as on March 31, 2017 as compared to Rs. 33.41 crore as on March 31, 2016. The long term debt is from related parties. Gearing stood at 2.63 times as on March 31, 2017 compared to 2.74 ending FY16. ICR stands strong at 1.91 times and DSCR is at 1.71times as on March 31, 2017.

Weaknesses

- **Susceptibility to volatility in the raw material**

Being into agro business, FRL is exposed to raw material price volatility as the key input of company i.e. paddy and the production of the same is dependent on favorable climatic condition. So, any adverse environmental change can impact the production of the crop and hence the prices. Also, as the crop is seasonal in nature the company requires huge inventory for production throughout the year.

- **High working capital intensity**

The GCA days of the company is high at 140 days as on March 31, 2017 from 137 days as on March 31, 2016 mainly on account of high inventory at 112 days as on March 31, 2017 compared to 137 days as on March 31, 2016. The debtor days stands at 30 for the year ending FY17. ACUITE believes the working capital intensity will remain on the similar line in the medium term.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of FRL.

Outlook: Stable

ACUITÉ believes the outlook on FRL's rated facilities will remain stable over the medium term on account of the company's experienced management in the agro commodity industry. The outlook may be revised to 'Positive' in case of more than expected growth while maintaining the margins. Conversely, the outlook may be revised to 'Negative' in case of adverse business scenario impacting the revenues or profitability.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	106.28	100.27	99.92
EBITDA	Rs. Cr.	4.28	4.01	4.10
PAT	Rs. Cr.	0.81	0.75	0.47
EBITDA Margin	(%)	4.03	3.99	4.10
PAT Margin	(%)	0.76	0.75	0.47
ROCE	(%)	7.53	7.11	15.15
Total Debt/Tangible Net Worth	Times	2.63	2.74	2.71
PBDIT/Interest	Times	1.91	2.02	1.71
Total Debt/PBDIT	Times	7.98	8.32	7.49
Gross Current Assets (Days)	Days	140	137	125

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

CARE, vide its press release dated Mar 14, 2018 had denoted the rating of FRL as 'CARE BB/Stable/CARE A4; ISSUER NOT COOPERATING' on account of lack of adequate information required for monitoring of ratings. The earlier rating, however, stood at 'CARE BB/Stable/CARE A4' vide its press release dated Mar 14, 2017.

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.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)

Not Applicable

*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	40.00	ACUITE BB+ / Stable

Contacts

Analytical	Rating Desk
Suman Chowdhury President - Rating Operations	Varsha Bist Manager - Rating Desk

Tel: 022-67141107 suman.chowdhury@acuite.in	Tel: 022-67141160 rating.desk@acuite.in
Abhishek Verma Manager - Rating Operations Tel: 022-67141115 abhishek.verma@acuiteratings.in	

About Acuité Ratings & Research:

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