



Press Release

Natraj Rice Mills Private Limited

03 August, 2018

Rating Assigned

Total Bank Facilities Rated*	Rs. 20.15 Cr.
Long Term Rating	ACUITE BBB-/Stable (Assigned)
Short Term Rating	ACUITE A3 (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and short term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs. 20.15 crore bank facilities of Natraj Rice Mills Private Limited (NRMPL). The outlook is **"Stable"**

Analytical Approach: Acuité has consolidated the financial and business risk profile of Natraj Rice Mills Private Limited (NRMPL) and Bhagwati Vintrade Private Limited (BVPL) on account of both the entities having common management and is engaged in the same line of business. The group together is referred as Bhagwati group.

About the company

Incorporated in 2008- NRMPL is a Bihar based company engaged in par boiled rice milling with installed capacity of 72,000 MTPA. The company has also set up a captive biomass power plant of 1.4 Mega Watt (MW). NRMPL is promoted by Mr Sandip Kumar Goel, Mr Manoj Kumar Agarwal and Mr Vivek Kumar Banka.

About the group

Incorporated in 2008- Bhagwati group is engaged in parboiled rice milling. The group currently has two unit with BVPL located in the Ramgarh district of Jharkhand and NRMPL located at Lakhisarai district in Bihar. Both the unit has installed capacity of 72,000 MTPA of rice milling. In addition both the unit has captive bio mass power plant of 1.2 MW for BVPL while 1.4 MW for NRMPL.

Key Rating Drivers

Strengths

Experienced Management

The Bhagwati group is promoted by Mr. Sandip Kumar Goel, Mr Manoj Kumar Agarwal and Mr Vivek Kumar Banka. Mr. Sandip Kumar Goel and Mr. Manoj Kumar Agarwal are qualified chartered accountants while Mr. Vivek Kumar Banka has prior experience in agro industry. The promoters started their first rice milling venture through BVPL in 2008 and thereafter successfully set up another rice mill through NRMPL in 2014.

Healthy financial risk profile

Bhagwati group has healthy financial risk profile marked by healthy net worth ase, comfortable gearing and debt protection metrics. The newt worth stood at Rs 38.38 cr as on 31st March' 18

(prov) as compare to Rs 34.26 cr as on 31 March, 2017. The gearing (Debt-equity) ratio is comfortable at 1.02 times as on 31 March, 2018 (prov) compared to 1.24 times as on 31 March, 2017. The total debt of Rs.39.04 cr as on 31 March, 2018 (Prov) comprises working capital of Rs. 25.44 cr, Rs 4.30 cr of unsecured loan from promoter and group entities and Rs 9.30 cr of term loan. The Interest Coverage Ratio (ICR) has stood healthy at 3.05 times as on 31st March'18 (prov) as compare to Rs 2.40 times as on 31 March, 2017.

Healthy scale of operation and stable profitability

Considering the fragmented and competitive industry the scale of operation of Bhagwati group is healthy marked by revenue of Rs 180.64 cr in FY 2018 (prov) as compare to Rs 164.54 crs in the previous year. The rating also factors in the stable operating profitability earned by the group during the period under review (FY 16- 18) which remained between 7 per cent and 8 per cent over the last 3 years.

Weaknesses

Working Capital Intensive Operations

The operations are working capital intensive in nature marked by gross current asset (GCA) days of 112 days as on 31st March'2018 (prov) as compare to 111 days in the previous year. The high GCA days are on account of the bulk procurement during the season (November to March) to mitigate the price volatility. The inventory days stood at 95 as on 31st March'18 (prov) as against 93 days in the previous year. Further, working capital intensity is reflected from the moderate utilization of ~ 85 per cent of the working capital limit of Rs 29.95 cr for the 12 month ended June'18.

Agro climatic risks

The price of paddy is driven by the market forces of supply and demand and the government policies of minimum support prices. Volatility in prices thus is an inherent risk for entities affecting the top- line as well as inventory management. Since paddy is an agro commodity, the group is exposed to agro climatic risks.

Outlook: Stable

Acuite believes the outlook on Bhagwati group rated facilities will remain stable over the medium term backed by its experienced management and healthy financial risk profile. The outlook may be revised to 'Positive' in case the group registers more than envisaged sales and profitability while improving its working capital cycle. The outlook may be revised to 'Negative' in case of the group fails to achieve envisaged revenue and profitability and its working capital cycle gets stretched or its financial risk profile deteriorates

About the Rated Entity - Key Financials

	Unit	FY18 (Prov)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	180.64	164.54	158.43
EBITDA	Rs. Cr.	13.66	11.64	12.23
PAT	Rs. Cr.	2.93	1.19	0.45
EBITDA Margin	(%)	7.56	7.08	7.72
PAT Margin	(%)	1.62	0.73	0.28
ROCE	(%)	10.13	7.97	17.86
Total Debt/Tangible Net Worth	Times	1.02	1.24	1.30
PBDIT/Interest	Times	3.05	2.40	2.07
Total Debt/PBDIT	Times	2.85	3.75	3.57
Gross Current Assets (Days)	Days	112	111	98

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

CRISIL on 8th May'2018 has migrated the rating of Natraj Rice Mills Private Limited to 'CRISIL BB/Stable/CRISIL A4+ Issuer Not Cooperating'.

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

NA

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE BBB-/Stable (Assigned)
Term Loans	Not Applicable	Not Applicable	Not Applicable	7.85	ACUITE BBB-/Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.30	ACUITE A3 (Assigned)

Contacts

Analytical	Rating Desk
<p>Pooja Ghosh Head – Corporate and Infrastructure Sector Ratings Tel: 033-66201203 pooja.ghosh@acuite.in</p> <p>Aniruddha Dhar Analyst - Rating Operations Tel: 033-66201209 aniruddha.dhar@acuite.in</p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@acuite.in</p>

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (*erstwhile SMERA Ratings 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 6,000 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 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, in particular, 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.