

## Press Release

Harman Rice Private Limited

November 30, 2018



### Rating Assigned

<b>Total Bank Facilities Rated*</b>	Rs. 30.00 Cr.
<b>Long Term Rating</b>	ACUITE BB- / Outlook: Stable

\* Refer Annexure for details

### Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) to the Rs. 30.00 crore bank facilities of Harman Rice Private Limited (HRPL). The outlook is '**Stable**'.

Incorporated in 2006, Harman Rice Private Limited is engaged in production of both basmati and non-basmati rice. The day to day operations of the company is managed by its director, Mr. Dalip Singh and its son Mr. Bhupinder Singh. The company has manufacturing unit in Bhatinda, Goniana, with capacity of 6 tonnes per hour. It exports majorly to Middle East countries, New Zealand, Canada, US and domestically it sell majorly in Delhi and Gujarat.

### Analytical Approach

Acuité has considered the standalone business and financial risk profiles of HRPL to arrive at this rating.

### Key Rating Drivers

#### Strengths

- **Experienced management and long track record**

HRPL commenced operations from 2006. The company is promoted by its managing director, Mr. Dalip Singh and its son Mr. Bhupinder Singh who possess experience of more than three decades in agricultural industry. The extensive experience has enabled the company forge healthy relationships with customers and suppliers. Acuité believes that HRPL will continue to benefit from its experienced management and established relationships with customers.

- **Fluctuating revenues and profitability**

The company has reported moderate revenue growth with compounded annual growth rate (CAGR) of around 10.05 percent through the last four years ended 31 March, 2018 (Provisional). The company reported high revenue growth of ~160 percent with operating income of Rs.77.60 crore in FY2018 (Provisional) as against operating income of Rs.29.81 crore in FY2017. The operating margins of the company stood at 5.31 percent in FY2018 (Provisional) as against 5.41 percent in FY2017.

#### Weaknesses

- **Intensive working capital operations**

HRPL has intensive working capital operations marked by Gross Current Assets (GCA) of 214 days in FY2018 (Provisional) as against 493 days in FY2017. The inventory and debtors levels stood at 179 and 35 days in FY2018 (Provisional) as against 412 and 54 days in FY2017, respectively. As a result, the average utilization of bank limits stood high at ~ 80 per cent in the last six months ending September, 2018.

• **Weak financial risk profile**

The financial risk profile is weak marked by moderate net worth and weak debt protection measures and gearing. The net worth of the company is moderate at Rs.6.24 crore as on 31 March, 2018 (Provisional) as against Rs.5.96 crore as on 31 March, 2017. The gearing of the company has stood high at 4.14 times as on March 31, 2018 (Provisional) as against 5.23 times as on 31 March, 2017. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 6.58 times as on 31 March, 2018 (Provisional) as against 6.05 times as on 31 March, 2017. Interest Coverage Ratio (ICR) stood at 1.16 times in FY2018 (Provisional) as against 1.28 times in FY2017. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.02 times as on 31 March, 2018 (Provisional) as against 0.01 times as on 31 March, 2017. Debt Service Coverage Ratio (DSCR) stood at 1.13 times for FY2018 (Provisional) as against 1.26 times in FY2017.

• **Competitive and fragmented nature of rice milling business**

Rice is a highly competitive industry due to low entry barriers which results in intense competition from both the organized as well as unorganized players in the industry. HRPL is basically into the processing of rice and thus faces competition from players in organized segment into the similar business of rice milling.

• **Agro climatic risks and Exposed to risk of price fluctuation in raw material**

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. The company is exposed to the risk related with fluctuation in raw material price. As paddy price is largely dependent on several external factors like domestic demand outlook and domestic productions. Thus the firm is exposed to significant risk related with raw material fluctuation.

**Outlook: Stable**

Acuité believes that HRPL will continue to benefit over the medium term from the industry experience of its management. The outlook may be revised to 'Positive' if there is substantial and sustained improvement in HRPL's operating income or profitability, while improving its capital structure. Conversely, the outlook may be revised to 'Negative' in case of further stretch in its working capital management leading to deterioration of its financial risk profile and liquidity.

**About the Rated Entity - Key Financials**

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	77.60	29.81	46.96
EBITDA	Rs. Cr.	4.12	1.60	1.15
PAT	Rs. Cr.	0.22	0.07	-0.01
EBITDA Margin	(%)	5.31	5.38	2.44
PAT Margin	(%)	0.29	0.23	-0.03
ROCE	(%)	11.31	6.04	6.46
Total Debt/Tangible Net Worth	Times	4.14	5.23	0.40
PBDIT/Interest	Times	1.16	1.28	1.60
Total Debt/PBDIT	Times	6.25	19.33	1.99
Gross Current Assets (Days)	Days	214	493	83

**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	10.80	ACUITE BB- / Stable
Warehouse facility	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE BB- / Stable
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	4.20	ACUITE BB- / Stable

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