

Press Release

Swastik Rice Mill

December 07, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 7.00 Cr.
Long Term Rating	ACUITE B / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE B**' (read as **ACUITE B**) to the Rs. 7.00 crore bank facilities of Swastik Rice Mill (SRM). The outlook is '**Stable**'.

The Uttar Pradesh based, SRM is a partnership firm promoted by Mrs. Adesh Garg, Mrs. Saroj Garg and Mr. Amit Garg. It was established in 1998 for processing of paddy. The concern trades and processes basmati rice in the domestic market. The concern has an installed rice processing capacity of 3 tons per hour.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of Swastik Rice Mills to arrive at this rating.

Key Rating Drivers

Strengths

- Established track record and experienced promoters**

The promoters are engaged in various businesses and possess over three decades of experience in agro based industries, amongst other businesses.

- Improvement in revenue and operating margins**

The revenues of SRM have grown by ~39 percent during the period FY2017 to FY2018. The revenues stood at Rs.7.06 crore in FY2018 as against Rs.5.05 crore in FY2017. Further, the operating margins improved from 4.98 percent in FY2017 to 5.03 percent in FY2018.

Weaknesses

- Working capital intensive operations**

SRM's operations are working capital intensive marked by high Gross Current Asset (GCA) of 662 days in FY2018 compared to 679 days in FY2017. The GCA days are mainly dominated by high inventory of 497 days in FY2018 compared to 586 days in FY2017. The debtor collection days stood at 119 in FY2018 as against 90 days in FY2017. Acuite believes that the efficient working capital management will be crucial to the firm in order to maintain a stable credit profile.

- Below average financial risk profile**

SRM has below average financial risk profile marked by tangible net worth of Rs.2.82 crore as on 31 March, 2018 as against Rs.2.34 crore as on 31 March, 2017. The gearing stood at 2.10 times as on 31 March, 2018 as against 0.86 times as on 31 March, 2017. The debt of Rs.5.93 crore consists entirely of working capital borrowings as on 31 March, 2018. Interest Coverage Ratio (ICR) stood at 1.07 times in FY2018 as against 1.08 times in FY2017. Debt Service Coverage Ratio (DSCR) stood at 1.07 times in FY2018 as against 1.08 times in FY2017. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood high at 3.58 times as on 31 March, 2018 as against 3.04 times as on 31 March, 2017. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.00 times as on 31 March, 2018 as against 0.01 times as on 31 March, 2017. Going forward, Acuite expects the financial risk profile to improve marginally in the absence of major debt funded capex plans.

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

The rice processing business is highly competitive due to low entry barriers which results in intense competition from both the organised as well as unorganised players in the industry.

• **Agro climatic risks**

Paddy which is the main raw material required for rice is a seasonal crop and production of the same is highly dependent upon monsoon season. Thus, inadequate rainfall may affect the availability of paddy in adverse weather conditions.

Outlook: Stable

Acuite believes that SRM will maintain a 'Stable' business risk profile over the medium term. The company will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the company's revenues or profit margins, or in case of deterioration in the company's financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	7.06	5.05	8.84
EBITDA	Rs. Cr.	0.35	0.25	0.40
PAT	Rs. Cr.	0.01	0.01	0.01
EBITDA Margin	(%)	5.03	4.98	4.56
PAT Margin	(%)	0.15	0.22	0.11
ROCE	(%)	5.24	5.25	15.83
Total Debt/Tangible Net Worth	Times	2.10	0.86	1.37
PBDIT/Interest	Times	1.07	1.08	1.05
Total Debt/PBDIT	Times	16.70	7.97	7.15
Gross Current Assets (Days)	Days	662	679	388

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

Not Applicable

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	6.00	ACUITE B / Stable
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE B / Stable

Contacts

Analytical	Rating Desk
<p>Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuите.in</p> <p>Salome Farren Analyst - Rating Operations Tel: 02249294025 salome.farren@acuiteratings.in</p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuите.in</p>

About Acuite Ratings & Research:

Acuite 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 Acuite 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. Acuite 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, Acuite, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuite 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. Acuite 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 Acuite.