

## Press Release

Swastik Rice Mill

December 07, 2018



**Rating Assigned**

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

\* Refer Annexure for details

### Rating Rationale

Acuité 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

Acuité 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. Acuité 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, Acuité 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**

Acuité 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
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 <a href="mailto:aditya.gupta@acuite.in">aditya.gupta@acuite.in</a>	Varsha Bist Manager - Rating Desk Tel: 022-67141160 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>
Salome Farren Analyst - Rating Operations Tel: 02249294025 <a href="mailto:salome.farren@acuiteratings.in">salome.farren@acuiteratings.in</a>	

### About Acuité Ratings & Research:

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