

Press Release

Sri Guru Gorakh Nath Rice Mill

December 17, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 20.00 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) to the Rs. 20.00 crore bank facilities of Sri Guru Gorakh Nath Rice Mill (SGGRM). The outlook is '**Stable**'.

Established in 1990, SGGRM is an Uttar Pradesh based partnership firm engaged in paddy milling and basmati rice processing (grading, sorting and polishing) at Dadri with an installed capacity of 8 metric tons per hour and 6 metric tons per hour (MTPH), respectively. The firm is promoted by Goel family and has three partners, Ms. Pushpa Devi, Mr. Brijesh Kumar and Mr. Bankey Lal with profit and loss sharing ratio of 1:2:2.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Proximity to raw material**

SGGRM's plant is located at Dadri (Uttar Pradesh) which is in proximity to the paddy growing areas of the country. This proximity to raw material helps the firm in reducing the overall average annual carrying costs and raw material handling charges.

- **Experienced management and long track record of operations**

Established in 1990, SGGRM has a long track record of nearly three decades in the rice milling business. The firm has been founded by Mr. Bankey Lal Goel who has extensive experience of over two decades in managing the rice milling business. The long track record has resulted in establishing healthy relationship with customers and suppliers.

Weaknesses

- **Modest scale of operation**

SGGRM's revenue stood modest at Rs.86.82 crore in FY2018 against Rs.77.73 crore in FY2017. During the current year, the firm has booked Rs.52.00 crore till October 2018 (Provisional).

- **Moderate financial risk profile**

SGGRM's financial risk profile is marked by moderate capital structure and debt protection metrics. Gearing (debt-to-equity) was moderate at 1.95 times as on 31 March, 2018 the same is an improvement from 2.27 times as on March, 2017 on account of improving accretion to reserves. The net worth is modest at Rs.10.23 crore as on 31 March, 2018 vis-à-vis Rs.9.91 crore as on 31 March, 2017. The debt protection metrics stood modest with interest coverage ratio at 1.72 times in FY2018 as against 1.71 times in FY2017. The firm's moderate net cash accruals and debt has led to net cash accruals to total debt (NCA/TD) of 0.07 times in FY18 as compared to 0.06 times in the previous year.

• Working capital intensive operation

The operations are working capital intensive in nature marked by improved Gross Current Assets (GCA) of 122 days during FY18 as compared to 148 days in the previous year. The high GCA days is primarily due to extended receivable days of 118 as on 31 March, 2018 as compare to 127 days in the previous year. The firm provides high credit period to its top 10-15 customers with whom they have a healthy and established relationship of 6-10 years. The firm on an average utilises 92 percent of its working capital limit.

Outlook: Stable

Acuite believes that SGGRM will maintain a 'Stable' outlook on the back of the management's extensive experience in the rice milling business and its established relationships with customers. The outlook may be revised to 'Positive' in case of sustained increase in revenues and profit margins while improving the capital structure. Conversely, the outlook may be revised to 'Negative' in case of any stretch in its working capital management leading to deterioration of its financial risk profile and liquidity.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	86.82	77.73	71.17
EBITDA	Rs. Cr.	3.38	3.31	3.44
PAT	Rs. Cr.	1.10	1.01	0.82
EBITDA Margin	(%)	3.89	4.26	4.84
PAT Margin	(%)	1.27	1.30	1.16
ROCE	(%)	10.12	9.94	21.75
Total Debt/Tangible Net Worth	Times	1.95	2.27	2.29
PBDIT/Interest	Times	1.72	1.71	1.54
Total Debt/PBDIT	Times	5.87	6.78	5.81
Gross Current Assets (Days)	Days	122	148	136

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

None

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/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)

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	20.00	ACUITE BB- / Stable

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About Acuité Ratings & Research:

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