

Press Release

Sri Balaji Modern Rice Mill



D-U-N-S® Number: 67-5481686

December 18, 2018

Rating Assigned

Total Bank Facilities Rated*	Rs. 6.00 Cr.
Long Term Rating	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.6.00 crore bank facilities of Sri Balaji Modern Rice Mill (SBMRM). The outlook is '**Stable**'.

The Tamil Nadu based, SBMRM is a proprietary concern established in 2014 by Mrs. V Revathy and Mr. Venkateshan for processing of paddy. The concern trades and processes non-basmati rice and distributed the same in the domestic market. The concern has an installed rice processing capacity of 100 tons per month.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of Sri Balaji Modern Rice Mills to arrive at this rating.

Key Rating Drivers

Strengths

- **Experienced management**

The concern was established in 2014 and is engaged in processing of non-basmati rice. The proprietor of the concern along with Mr. Venkatesh (Main Manager) have over two decades of experience in this line of business through another family business. Acuité believes that SBMRM will sustain its existing business profile on the back of established track record of operations and experienced management.

- **Significant growth in revenues**

The revenues of SBMRM have grown significantly (CAGR of ~56 percent) during the period FY2016 to FY2018 under the study. The revenues stood at Rs.5.35 crore in FY2018 as against Rs.0.98 crore in FY2017 and Rs.1.41 crore in FY2016.

Weaknesses

- **Below average financial risk profile**

SBMRM has below average financial risk profile marked by tangible net worth of Rs.1.34 crore as on 31 March, 2018 as against Rs.1.01 crore as on 31 March, 2017. The gearing stood at 2.41 times as on 31 March, 2018 as against 1.38 times as on 31 March, 2017. The debt of Rs.3.24 crore mainly consists of term loan of Rs.2.13 crore, working capital borrowing of Rs.1.01 crore and unsecured loans from friends and family of Rs.0.10 crore as on 31 March, 2018. Interest Coverage Ratio (ICR) stood at 2.15 times in FY2018 as against 2.18 times in FY2017. Debt Service Coverage Ratio (DSCR) stood at 1.00 times in FY2018 as against 1.92 times in FY2017. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 3.21 times as on 31 March, 2018 as against 1.38 times as on 31 March, 2017. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.07 times as on 31 March, 2018 as against 0.14 times as on 31 March, 2017. Going forward, Acuité expects the financial risk profile to deteriorate further in view of major debt funded capex plans.

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

The rice processing business is a 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 SBMRM will maintain a 'Stable' business risk profile over the medium term. The outlook may be revised to 'Positive' in case the company registers significant increase in revenue while achieving sustained improvement in operating margins, capital structure and working capital management. The outlook may be revised to 'Negative' in case of lower than expected profit margins and higher than expected debt funded working capital requirements and capital expenditure.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	5.35	0.98	1.41
EBITDA	Rs. Cr.	0.43	0.35	0.37
PAT	Rs. Cr.	0.15	0.11	0.12
EBITDA Margin	(%)	8.02	35.77	26.68
PAT Margin	(%)	2.87	11.09	8.56
ROCE	(%)	10.13	11.10	24.62
Total Debt/Tangible Net Worth	Times	2.41	1.38	1.61
PBDIT/Interest	Times	2.15	2.18	2.15
Total Debt/PBDIT	Times	7.53	3.98	3.90
Gross Current Assets (Days)	Days	152	321	211

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>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.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
Term loans	Not Applicable	Not Applicable	Not Applicable	0.32	ACUITE B / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.32	ACUITE B / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE B / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.20	ACUITE B / Stable
Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	3.16	ACUITE B / Stable

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About Acuité Ratings & Research:

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