

Press Release

Bansal Rice Mills

February 19, 2019



Rating Assigned

Total Bank Facilities Rated*	Rs. 12.00 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. 12.00 crore bank facilities of BANSAL RICE MILLS (BRM). The outlook is '**Stable**'.

BRM, a Punjab based partnership firm was established in 2007. The firm is promoted by the partners, Mr. Sandeep Kumar, Mr. Amandeep Bansal, Mr. Badri Parshad, Mr. Rashmi Bansal and Mr. Manisha Bansal and others. The firm is engaged in processing and selling of Paddy, Basmati Rice, Bardana, Rice Bran and Paddy Husk. BRM has manufacturing facilities located at Sangrur, Punjab with installed capacity of 3 metric ton rice per hour. The firm procures the raw material i.e. paddy from local market and sells the final output i.e. rice in domestic market.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of BRM to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced Partners**

The partners, Mr. Sandeep Kumar and Mr. Amandeep Bansal have experience of more than a decade in the rice milling business. Other partners also have experience in same line of business. The firm is also supported by second line of management. The extensive experience of partners' has helped the firm in establishing longstanding relationships with customers and suppliers.

- **Proximity to rice growing area**

The manufacturing facility is located at Sangrur (Punjab), which offers proximity to rice growing areas. These helps firm to reduce logistic cost.

Weaknesses

- **Working capital nature of operations**

The operations of the firm are marked by high Gross Current Asset (GCA) days of 347 in FY2018 and 383 days in FY2017. The high GCA days is marked by high inventory days of 302 in FY2018 and 327 days in FY2017. The working capital limit utilisation also stood at 98.88 percent in last six months ending December 2018.

- **Highly competitive and fragmented industry affected by agro climatic risks**

The agro commodity (rice) industry is highly competitive with multiple players coupled with low entry barrier results into intense competition from both the organised as well as unorganised players. Paddy which is the main raw material required for rice is a seasonal crop and production of the same is highly dependent upon monsoon. Thus, inadequate rainfall may affect the availability of paddy in adverse weather conditions.

Liquidity Profile

BRM has an average liquidity position. The net cash accruals of the firm stood at Rs.0.54 crore in FY2018 and Rs.0.59 crore in FY2017. The accruals stood low against the repayment obligations. The current ratio of the firm also stood low at 1.22 times in FY2018. The working capital facilities were utilised at 98.88 percent in last six months ending December 2018. The unencumbered cash and bank balance stood low at Rs.0.01 crore as on 31 March 2018. Acuité believes that the partner's experience and improving scale of operations would support the firm's operations to stabilise. The liquidity of the company is likely to remain average over the medium term on account of stretched working capital cycle and higher dependency on working capital limits.

Outlook: Stable

Acuité believes that BRM will maintain a 'Stable' outlook over the medium term owing to the partners' extensive experience in same industry. The outlook may be revised to 'Positive' in case the firm registers substantial growth in revenues and improvement in financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of further deterioration of the financial risk profile and stretch in liquidity profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	34.96	32.29	8.92
EBITDA	Rs. Cr.	4.14	3.61	1.68
PAT	Rs. Cr.	0.17	0.15	0.13
EBITDA Margin	(%)	11.86	11.19	18.84
PAT Margin	(%)	0.49	0.47	1.45
ROCE	(%)	16.12	14.20	14.50
Total Debt/Tangible Net Worth	Times	2.16	3.38	2.88
PBDIT/Interest	Times	1.15	1.19	1.29
Total Debt/PBDIT	Times	3.80	5.23	8.70
Gross Current Assets (Days)	Days	347	383	1024

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

India Ratings and Research vide its press release dated 11 May, 2017 had denoted the rating of Bansal Rice Mills as 'IND B (ISSUER NOT COOPERATING)' on account of lack of adequate information required for monitoring of ratings.

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-40.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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.50	ACUITE B / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.75	ACUITE B / Stable
Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	5.75	ACUITE B / Stable

Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in
Rupesh Patel Analyst - Rating Operations Tel: 022-49294032 rupesh.patel@acuiteratings.in	

About Acuité Ratings & Research:

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