

Press Release

Shri Rewa Rice Mills Private Limited

April 16, 2019



Rating Assigned

Total Bank Facilities Rated	Rs.14.40 crore
Long Term Rating	ACUITE BB-/ Stable (Assigned)

Rating Rationale

ACUITE has assigned the long term rating of '**ACUITE BB-**' (**read as ACUITE double B**) on the Rs.14.40 crore bank facilities of Shri Rewa Rice Mills Private Limited (SRRMPL). The outlook is '**Stable**'.

Incorporated in 2014, Shri Rewa Rice Mills Private Limited is a Madhya Pradesh based company engaged in milling and processing of basmati rice with an annual installed capacity of 24000 MT per annum. The company is promoted by Raghuvanshi family headed by Mr. Sandeep Raghuvanshi and Mr. Rajendra Singh Raghuvanshi.

Analytical Approach:

Acuité has taken a standalone view of the business and financial risk profile of SRRMPL to arrive at the rating.

List of key rating drivers and their detailed description:

Strengths:

Experienced management

The Raghuvanshi family has been in the business of trading of rice grain, refined cooking oil, pulses, sugar, wheat flour since last four decades. Being in the agri business for a considerable amount of time, Mr. Sandeep Raghuvanshi and Mr. Rajendra Singh Raghuvanshi took the opportunity to foray into manufacturing business and set up a basmati rice processing unit in 2014. The experience of the promoters has helped the company to increase the topline and establish a presence in the states of Maharashtra and Madhya Pradesh. The topline witnessed growth of 27 percent y-o-y where SRRMPL achieved Rs 73.20 crores in FY2018 as against Rs 57.67 crores a year earlier.

Weaknesses

Moderate Working Capital Management

The company has moderate working capital intensity marked by modest Gross Current Assets (GCA) of 134 days for FY2018. M GCA days is driven by high inventory days of 118 days for FY2018 as against 117 days for FY2017. High inventory is on account of procurement of paddy for the entire year during the peak season (Oct-Feb). The company is managing their receivables well as depicted by debtor days of 16 days for FY2018 as against 25 days for FY2017.

Moderate financial risk profile

The company's financial risk profile is moderate marked by modest net worth, high gearing and moderate debt protection metrics. The net worth of the company stood at Rs.5.15 crore as on 31 March, 2018 as against Rs.4.85 crore in the previous year. The company's gearing is high at 3.17 times as on 31 March, 2018 as compared to 3.92 times in the previous year on account of working capital facilities being used to procure paddy during the peak season (Oct-Feb). Total debt of Rs.24.69 crore consists of Rs.5.19 crore of term loan and working capital loan of Rs 19.50 crore. TOL/TNW stood high at 3.82 times in FY2018 as against 4.89 times in the previous year. Moreover, the debt protection metrics is modest marked by interest coverage ratio (ICR) of 1.52 times in FY2018 and debt service coverage

ratio (DSCR) of 0.96 times as on March 31, 2018.

Vulnerability to Raw Material price

Paddy, the main raw material required for rice is a seasonal crop and the production of the same is highly dependent upon monsoon season. Thus inadequate rainfall may affect the availability of paddy in adverse weather conditions. Moreover, paddy price is largely dependent on several external factors like domestic demand outlook, international trade regulations and domestic production. Thus, the company is exposed to the risk related with fluctuation in raw material price.

Liquidity profile

Liquidity profile of SRRMPL is stretched marked by net cash accruals (including deferred tax) of Rs.1.06 crore during FY18 tightly matched against maturing debt obligations of Rs.1.06 crore over the same period. The firm's operations are moderately working capital intensive as marked by gross current asset (GCA) days of 134 in FY 2018 and the cash credit limit of the firm remains utilised at 76 percent during the last eleven months ended February 2019. The current ratio of the firm stood modest at 1.07 times as on March 31, 2018. Acuité believes that the liquidity of the group is likely to remain stretched over the medium term.

Outlook: Stable

ACUITE believes will maintain a stable business risk profile over the medium term. The company will continue to benefit from experienced management. The outlook may be revised to "Positive" in case the company registers strong growth in scale of operations and efficiently managing in working capital and improving its financial risk profile. The outlook may be revised to 'Negative' in case of deterioration in the company's scale of operations and profitability or capital structure, or in case of deterioration of financial risk profile.

About the Rated Entity Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	73.20	57.67	18.58
EBITDA	Rs. Cr.	3.36	2.25	0.78
PAT	Rs. Cr.	0.32	0.07	0.05
EBITDA Margin	(%)	4.6	3.9	4.18
PAT Margin	(%)	0.43	0.12	0.25
ROCE	(%)	9.26	7.59	5.68
Total Debt/Tangible Net Worth	Times	3.17	3.92	3.22
PBDIT/Interest	Times	1.52	1.51	1.55
Total Debt/PBDIT	Times	7.31	9.46	19.77
Gross Current Assets (Days)	Days	134	138	307

Status of non-cooperation with previous CRA:

Not Applicable

Any other information

None

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)

None

*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	7.00	ACUITE BB- / Stable (Assigned)
Term loans	Not Applicable	Not Applicable	Not Applicable	7.40	ACUITE BB- / Stable (Assigned)

Contacts

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About Acuité Ratings & Research:

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