

Press Release

Harekrishna Rice Processing and Exports

May 31, 2019



Rating Assigned

Total Bank Facilities Rated*	Rs. 15.10 Cr.
Long Term Rating	ACUITE BB-/Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB-**' (**read as ACUITE double B minus**) and short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) to the Rs. 15.10 crore bank facilities of Harekrishna Rice Processing and Exports (HRPE). The outlook is '**Stable**'.

Established in January 2015, Harekrishna Rice Processing and Exports (HRPE) is a partnership firm set up by Mr. Anirudha Dash, Mr. Trilochan Dash, Mr. Ashirbad Dash and family. The firm is engaged in milling and processing of non-basmati rice. The firm has commenced its manufacturing operations in February 2018 before which it was involved in trading of non-basmati rice. The firm has set up an automated rice milling unit with processing capacity of 57,600 MT per annum in Jajpur, Odisha.

Analytical Approach

Acuité has considered the standalone financial and business risk profile of Harekrishna Rice Processing and Exports (HRPE).

Key Rating Drivers

Strengths

- **Experienced Management**

The partners have an extensive experience of more than 10 years in the rice milling business. The partners started its operation in 2009 under group company, Krupalu Rice Industry Private Limited and eventually in 2015, they formed a partnership firm Harekrishna Rice Processing and Exports. The experience of the partners has resulted in establishing a regional market and build healthy relationships with customers and suppliers.

Weaknesses

- **Limited operational track record and small scale of operations**

The firm commenced commercial operations from February 2018 and registered operating income of Rs.7.67 crore during first two months of operations in FY'2018. In March 2019 (provisional), the firm has achieved revenues of Rs.28.25 crore on account of stabilisation of operations and volume growth. Acuité believes that the scale of operations are expected to increase further over the medium term, though likely to remain in the modest levels.

- **Moderate financial risk profile**

The firm's financial risk profile is average marked by low net worth, high gearing and modest debt protection metrics. The net worth stood at Rs. 3.37 crore as on 31 March, 2018 as against Rs.1.82 crore in the previous year. The net worth stood at Rs. 3.94 crore as on 31 March, 2019 (provisional). The gearing is high at 3.66 times as on 31 March, 2018 as compared to 2.24 times in the previous year on account of increase in long term borrowings. Total debt of Rs.12.35 crore consist of Rs.8.63 crore of term loan, Rs.3.20 crore of unsecured loans from directors and working capital loan of Rs.0.52 crore.

TOL/TNW stood high at 4.99 times in FY2018 as against 2.80 times in the previous year. Moreover, the debt protection metrics is modest marked by interest coverage ratio of 3.39 times and debt service coverage ratio (DSCR) of 3.39 times as on March 31, 2018. Going forward, the financial risk profile is expected to remain moderate.

- **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. Also, paddy price is largely dependent on minimum support price (MSP) declared by the Government. Thus, the firm is exposed to significant risk related with raw material fluctuation.

Liquidity Profile

HRPE's liquidity position is moderate marked by net cash accruals of Rs.0.61 in FY2018 sufficient to pay off its debt obligations. The cash credit limit of the firm remains utilised at 41 percent during the last six months ended March 2019. The current ratio of the firm stood modest at 1.26 times as on March 31, 2018. Acuité believes that the liquidity of the firm is likely to remain moderate over the medium term.

Outlook: Stable

Acuité believes that HRPE will benefit over the medium term from its experienced management. The outlook may be revised to 'Positive' in case of sustained improvement in revenues, profitability and financial risk profile. The outlook may be revised to 'Negative' in case of steep decline in revenues and profitability or financial risk profile deteriorates owing to higher working capital requirement.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	7.67	6.58
EBITDA	Rs. Cr.	0.85	0.14
PAT	Rs. Cr.	0.11	0.10
EBITDA Margin	(%)	11.05	2.18
PAT Margin	(%)	1.48	1.56
ROCE	(%)	3.42	5.04
Total Debt/Tangible Net Worth	Times	3.66	2.24
PBDIT/Interest	Times	3.39	-
Total Debt/PBDIT	Times	14.25	27.42
Gross Current Assets (Days)	Days	296	143

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/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	5.00	ACUITE BB- / Stable (Assigned)
Term loans	Not Applicable	Not Applicable	Not Applicable	7.10	ACUITE BB- / Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A4+ (Assigned)

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About Acuité Ratings & Research:

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