

## Press Release

### Harekrishna Rice Processing and Exports

April 15, 2022

### Rating Upgraded



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	15.10	ACUITE BB+   Stable   Upgraded	-
Total Outstanding Quantum (Rs. Cr)	15.10	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

### Rating Rationale

Acuité has upgraded the long-term rating to '**ACUITE BB+**' (read as ACUITE double B plus) from '**ACUITE BB**' (read as ACUITE double B) on the Rs.15.10 Cr bank facilities of Harekrishna Rice Processing and Exports (HRPE). The outlook is 'Stable'.

The rating upgrade is primarily driven by the improvement in the business risk profile supported by the increase in operating income. The rating is also factors in the experienced management and efficient working capital management of the firm. These strengths are, however, offset by the moderate financial risk profile and the competitive industry.

### About the Firm

Established in January 2015, Harekrishna Rice Processing and Exports (HRPE) is a partnership firm promoted by Mr. Anirudha Dash, Mr. Trilochan Dash, Mr. Ashirbad Dash and his family members. HRPE had set up an automated rice milling unit with processing capacity of 57600 MT per annum in Jajpur, Odisha and commenced its commercial operations in 2018. The firm is engaged in milling and processing of paddy into non-basmati rice.

### Analytical Approach

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

### Key Rating Drivers

#### Strengths

- Significantly improving business risk profile

The partners of HRPE have a long-standing experience of over a decade in the rice milling industry. The expertise of the management has aided the growth of the firm by establishing a regional market and by building healthy relationships with the customers and suppliers.

HRPE has achieved revenues of Rs.76.25 Cr in FY21 as compared to revenues of Rs.64.67 Cr in FY2020 and Rs.28.08 Cr in FY2019 thereby registering a CAGR of 64.75 per cent over the two years. Further, the firm has already achieved revenues of Rs.65.87 Cr (provisional) for the 9

months of FY22. The growth in top line is due to the increase in the volume of sales over the years. Acuité believes that going forward, the long term experience of the management will support the growth in scale of operations of the firm.

- **Efficient working capital management**

The working capital management of the firm is efficient marked by Gross Current Assets (GCA) of 61 days as on 31<sup>st</sup> March, 2021 as compared to 39 days as on 31<sup>st</sup> March, 2020. The comfortable GCA days is on account of low inventory days. The inventory holding stood comfortable at 12 days as on 31<sup>st</sup> March, 2021 as compared to 6 days as on 31<sup>st</sup> March, 2020. Moreover, the debtor period stood at 38 days as on 31<sup>st</sup> March, 2021 as compared to 14 days as on 31<sup>st</sup> March, 2020. The debtor days are predominantly on account of bills payable by customers of non-basmati rice. Acuité believes that the working capital operations of the firm will remain almost at the same levels as evident from efficient collection mechanism and comfortable inventory levels over the medium term.

## **Weaknesses**

- **Low profitability margins**

HRPE has achieved an operating margin of 4.00 per cent in FY21 as compared to 5.52 per cent in FY20. Though for the 9M FY22, the firm has achieved an operating margin of 5.30 per cent (provisional). The PAT margin of the firm stood at 0.76 per cent in FY21 as compared to 0.87 per cent in FY20. Further, HRPE has achieved PAT margin of 1.88 per cent (provisional) in the 9M of FY22. The fluctuation in margin is primarily due to rise in the raw material, manufacturing and other costs. Acuité believes that going forward, the profitability margins of the firm will improve as evident from the growth in the scale of operations over the medium term.

- **Moderate financial risk profile**

The moderate financial risk profile of HRPE is marked by low albeit improving net worth, moderate gearing and healthy debt protection metrics. The tangible net worth of the company increased to Rs.6.52 Cr as on March 31, 2021 from Rs.5.84 Cr as on March 31, 2020 due to accretion of reserves and infusion of capital. Gearing of the company stood moderate at 1.43 times as on March 31, 2021 as against 1.57 times as on March 31, 2020, whereas, Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at a moderate level of 2.77 times as on March 31, 2021 as against 2.19 times as on March 31, 2020. The healthy debt protection metrics is marked by Interest Coverage Ratio at 4.01 times as on March 31, 2021, and Debt Service Coverage Ratio of 1.31 times as on March 31, 2021. Net Cash Accruals/Total Debt (NCA/TD) stood healthy at 0.22 times as on March 31, 2021. Acuité believes that going forward the financial risk profile will remain modest over the medium term, in the absence of any major debt funded capex plans.

- **Competitive and fragmented industry**

The firm is engaged in engaged in milling of non-basmati rice business. The sector is marked by the presence of several mid to big size players. The firm faces competition from the other players in the sectors. Also, paddy which is 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.

## **Rating Sensitivities**

- Ramp up in scale of operations while improving profitability margin
- Improvement in capital structure

## Material covenants

None

## Liquidity Position: Adequate

The firm's liquidity is adequate marked by steady net cash accruals of Rs.2.03 Cr as on March 31, 2021 against no repayment of debt for the year. The fund based limit remains utilised at only 20 per cent over the ten months ended January, 2022. The firm has not availed any loan moratorium. The cash and bank balances of the firm stood at Rs.2.15 Cr as on March 31, 2021 as compared to Rs.0.38 Cr as on March 31, 2020. The current ratio stood moderately comfortable at 1.28 times as on March 31, 2021 as compared to 1.46 times as on March 31, 2020. Moreover, the efficient working capital management of the firm is marked by Gross Current Assets (GCA) of 61 days in 31st March 2021 as compared to 39 days in 31st March 2020. Acuité believes that going forward the firm will maintain adequate liquidity position due to steady accruals.

## Outlook: Stable

Acuité believes that the outlook on HRPE will remain 'Stable' over the medium term on account of the experienced management and steady business risk profile. The outlook may be revised to 'Positive' in case of significant growth in revenue or operating margins from the current levels. Conversely, the outlook may be revised to 'Negative' in case of a decline in revenue or operating margins, deterioration in financial risk profile or further elongation in its working capital cycle.

## Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	76.25	64.67
PAT	Rs. Cr.	0.58	0.56
PAT Margin	(%)	0.76	0.87
Total Debt/Tangible Net Worth	Times	1.43	1.57
PBDIT/Interest	Times	4.01	3.12

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

Not Applicable

## Any other information

Not Applicable

## Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entitle: <https://www.acuite.in/view-rating-criteria-61.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

## Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
25 Oct 2021	Term Loan	Long Term	7.10	ACUITE BB ( Issuer not co-operating*)
	Bank Guarantee	Short Term	3.00	ACUITE A4+ ( Issuer not co-operating*)
	Cash Credit	Long Term	5.00	ACUITE BB ( Issuer not co-operating*)
05 Aug 2020	Cash Credit	Long Term	5.00	ACUITE BB   Stable (Upgraded from ACUITE BB-   Stable)
	Bank Guarantee	Short Term	3.00	ACUITE A4+ (Reaffirmed)
	Term Loan	Long Term	7.10	ACUITE BB   Stable (Upgraded from ACUITE BB-   Stable)
31 May 2019	Cash Credit	Long Term	5.00	ACUITE BB-   Stable (Assigned)
	Term Loan	Long Term	7.10	ACUITE BB-   Stable (Assigned)
	Bank Guarantee	Short Term	3.00	ACUITE A4+ (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Indian Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BB+   Stable   Upgraded ( from ACUITE BB )
Indian Bank	Not Applicable	Term Loan	Not available	Not available	Not available	5.10	ACUITE BB+   Stable   Upgraded ( from ACUITE BB )

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### About Acuité Ratings & Research

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