



Press Release

Sifti Rice Mills

July 19, 2024

Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	23.60	ACUITE BB Stable Assigned	-
Bank Loan Ratings	26.90	ACUITE BB Stable Reaffirmed	-
Bank Loan Ratings	0.50	-	ACUITE A4+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	51.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating to '**ACUITE BB**' (read as **ACUITE double B**) and the short-term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 27.40 crore bank facilities of Sifti Rice Mills (SRM). The outlook is '**Stable**'.

Acuite has further assigned the long-term rating to '**ACUITE BB**' (read as **ACUITE double B**) on the Rs. 23.60 crore bank facilities of Sifti Rice Mills (SRM). The outlook is '**Stable**'.

Rationale for Rating

The rating takes into cognizance stable revenues albeit declining operating profitability as on FY23. The turnover expected for FY 2024 has slightly declined since there were no exports which forms a major part of its revenues. The PAT margin has remained on the similar lines until FY 2023. The rating is supported by long track record of operations and proximity to raw materials. However these strengths are constrained by the below average financial risk profile, marked by its leveraged capital structure, average debt protection metrics and intensive working capital cycle.

About the Company

Sifti Rice Mills (SRM) is a Punjab based partnership firm established in 2000 by Mr. Vinod Kumar. The firm is engaged in processing of basmati rice. It processes two types of basmati rice: Permal and Pusa. The main raw material for the business is paddy. Currently, the firm is being managed by Mr. Vinod Kumar, Mrs. Parveen Rani, Mr. Sanjeev Chada and Mrs. Kriti Chada.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the Sifti Rice Mills to arrive at this rating.

Key Rating Drivers

Strengths

Experienced management and long track of operation

The firm was established in 2000 reflecting a long track of operation of more than two decades in the rice industry. The firm is managed by Mr. Vinod Kumar, Mrs. Parveen Rani, Mr. Sanjeev Chada and Mrs. Kriti Chada who have extensive experience in the rice industry.

Proximity to raw materials

Punjab is a major rice producing region and enables easy access to raw material i.e. paddy. All the major suppliers of the firm are either in Punjab or neighbouring states like Uttar Pradesh & Delhi.

Stable revenues albeit decline in operating profitability

The operating income of the firm has increased to Rs.170.24 Cr. as on March 31, 2023 as compared to Rs. 102.81 Cr. as on March 31, 2022 on account of increase in the quantity sold and average sale price. In FY 2024(Estd.), the turnover is about Rs. 161.59 Cr. The slight decline is because there were no exports which forms a major part of its revenues. The EBITDA margins has decreased to 4.42 percent as on March 31, 2023 as compared to 5.93 percent as on March 31, 2022.

Weaknesses

Below average financial risk profile

The financial risk profile is below average marked by an increase in the net worth to Rs.13.16 Cr. as on March 31, 2023 as compared to Rs.10.84 Cr. as on March 31, 2022 due to accretion of reserves. Gearing stood at 3.51 times as on March 31, 2023 as against 3.73 times as on March 31, 2022. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 4.25 times as on March 31, 2023 as compared to 4.06 times as on March 31, 2022. The debt protection metrics is marked by Interest Coverage Ratio at 2.46 times as on March 31, 2023 as compared to 2.15 times as on March 31, 2022 and Debt Service Coverage Ratio at 1.42 times as on March 31, 2023 as compared to 1.34 times as on March 31, 2022. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.10 times as on March 31, 2023 as compared to 0.08 times as on March 31, 2022. Acuité believes that going forward the financial risk profile will improve over the medium term.

Elongated working capital cycle

The working capital cycle is marked by Gross Current Assets (GCA) of 110 days as on March 31, 2023 as compared to 137 days as on March 31, 2022. The debtor days decreased to 38 days as on March 31, 2023 as compared to 45 days as on March 31, 2022. Furthermore, the inventory days decreased to 71 days in March 31, 2023 as compared from 94 days as on March 31, 2022. The creditor days increased to 23 days as on March 31, 2023 from 14 days as on March 31, 2022. The firm funds its working capital by availing bank limits which witnessed high utilisation with availment of adhoc limits since November 2023. Acuité believes that going forward the working capital operations of the company will remain intensive over the medium term.

Rating Sensitivities

- Elongation of working capital cycle.
- Improvement in scale of operations while improving profitability
- Improvement in capital structure

Liquidity Position Stretched

The liquidity is stretched marked by steady net cash accruals of Rs.4.76 Cr. as on March 31, 2023 as against long term debt repayment of Rs. 2.40 Cr. over the same period. The cash and bank balances stood at Rs.0.09 Cr. as on March 31, 2023 as compared to Rs. 0.25 Cr. as on March 31, 2022. The current ratio stood at 1.15 times as on March 31, 2023 as compared to 1.19 times as on March 31, 2022. The bank limit utilisation remained utilised at 75 percent, the firm has also availed adhoc limit from time to time. Acuité believes that going forward the liquidity position of the company will remain stretched due to small accretions. high dependence on bank lines to fund working capital requirement, low current ratio albeit in the absence of any major debt funded capex plans.

Outlook: Stable

Acuité believes that the outlook on SRM will remain 'Stable' over the medium term on

account of experienced management. The outlook may be revised to 'Positive' in case the firm registers higher-than expected growth in its revenue and profitability while improving its liquidity position. Conversely, the outlook may be revised to 'Negative' in case the firm faces deterioration in the firm financial risk profile or significant elongation in working capital cycle.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	170.24	102.81
PAT	Rs. Cr.	2.80	1.04
PAT Margin	(%)	1.64	1.02
Total Debt/Tangible Net Worth	Times	3.51	3.73
PBDIT/Interest	Times	2.46	2.15

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
05 May 2023	Cash Credit	Long Term	20.00	ACUITE BB Stable (Upgraded from ACUITE BB- Stable)
	Proposed Long Term Bank Facility	Long Term	0.54	ACUITE BB Stable (Upgraded from ACUITE BB- Stable)
	Bank Guarantee (BLR)	Short Term	0.50	ACUITE A4+ (Reaffirmed)
	Term Loan	Long Term	0.36	ACUITE BB Stable (Upgraded from ACUITE BB- Stable)
	Term Loan	Long Term	6.00	ACUITE BB Stable (Upgraded from ACUITE BB- Stable)
27 Apr 2022	Bank Guarantee (BLR)	Short Term	0.50	ACUITE A4+ (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	0.54	ACUITE BB- Stable (Reaffirmed)
	Term Loan	Long Term	0.36	ACUITE BB- Stable (Reaffirmed)
	Term Loan	Long Term	6.00	ACUITE BB- Stable (Reaffirmed)
	Cash Credit	Long Term	20.00	ACUITE BB- Stable (Reaffirmed)
21 Jan 2021	Bank Guarantee (BLR)	Short Term	0.50	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	20.00	ACUITE BB- Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	0.54	ACUITE BB- Stable (Reaffirmed)
	Term Loan	Long Term	6.00	ACUITE BB- Stable (Reaffirmed)
	Term Loan	Long Term	0.36	ACUITE BB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Punjab National Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.50	ACUITE A4+ Reaffirmed
Punjab National Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	20.00	ACUITE BB Stable Reaffirmed
Punjab National Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	20.00	ACUITE BB Stable Assigned
Punjab National Bank	Not avl. / Not appl.	Covid Emergency Line.	23 Dec 2021	Not avl. / Not appl.	21 Nov 2026	Simple	2.32	ACUITE BB Stable Assigned
Punjab National Bank	Not avl. / Not appl.	Covid Emergency Line.	27 Aug 2020	Not avl. / Not appl.	30 Aug 2024	Simple	0.12	ACUITE BB Stable Assigned
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	4.27	ACUITE BB Stable Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.16	ACUITE BB Stable Assigned
Punjab National Bank	Not avl. / Not appl.	Term Loan	21 Nov 2019	Not avl. / Not appl.	20 Jan 2027	Simple	2.63	ACUITE BB Stable Reaffirmed

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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