

Press Release

Rashik Bihari Food Product Private Limited

April 19, 2022



Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	8.50	ACUITE BB+ Stable Assigned	-
Bank Loan Ratings	9.20	-	ACUITE A4+ Assigned
Total Outstanding Quantum (Rs. Cr)	17.70	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

ACUITE has assigned the long-term rating of '**ACUITE BB+**' (read as ACUITE double B plus) and the short-term rating of '**ACUITE A4+**' (read as ACUITE A four plus) on the Rs.17.70 Cr bank facilities of Rashik Bihari Food Product Private Limited (RBFPPPL). The outlook is 'stable'.

The rating is driven by the sound business risk profile of the company buoyed by recent growth in revenue. The rating also factors the experienced management and long track operations of RBFPPPL. These strengths are, however, offset by the moderate financial risk profile of the company and the competitive industry.

About the Company

Established in 2010, Rashik Bihari Food Product Private Limited (RBFPPPL) is a merger of 3 companies Vishwanath Rice Mill (1990), Vishwanath Parboiling Industries (1990) and Parwati Trading Company (2003). The company is promoted by Mr. Naresh Kumar Agrawal, Smt. Sanju Agrawal, Mr. Rashik Agrawal and Mr. Aakash Agrawal. RBFPPPL is engaged in the manufacturing, trading and exporting of all kinds of non-basmati rice and have a manufacturing facility located in Chhattisgarh with a paddy milling capacity of 58,000 MTPA. The company has its own brand in non-basmati rice named as 'SAFFHIRE' and the rice supplies are also exported to the Middle East and African region. Moreover, the company is ISO certified and a member of APEDA.

Analytical Approach

Acuite has considered the standalone financial and business risk profile of Rashik Bihari Food Product Private Limited (RBFPPPL).

Key Rating Drivers

Strengths

- Long operational track record and experienced management

The directors of RBFPL, Mr. Naresh Kumar Agrawal and Smt. Sanju Agrawal have been in the rice milling industry for more than three decades, along with this, the other directors Mr. Rashik Agrawal and Mr. Aakash Agrawal have also been in the industry for more than a decade. RBFPL has a long operational track record of 12 years in the industry. Acuité believes that going forward, the experienced management and the long track record of operations will benefit the company by establishing healthy relationships with the customers and suppliers, resulting in steady growth in the scale of operations.

- **Improving business risk profile coupled with locational advantage**

The manufacturing facility of RBFPL is located in the Janjgir- Champa district of Chhattisgarh. The location of the facility is situated in the suitable paddy growing region of the district and hence, the raw materials required by the company are easily accessible in that area. RBFPL has achieved revenues of Rs.47.99 Cr in FY21 as compared to revenues of Rs.43.87 Cr in FY2020. Further, the company has achieved significant improvement in the top line for the 11 months of FY2022 and has achieved sales of Rs.105.26 Cr (provisional). The improvement in top line is due to the increase in the volume of sales along with the increase in the capacity utilisation. Acuité believes that going forward, the growth in scale of operations will be a key area monitorable.

Weaknesses

- **Moderate financial risk profile**

The financial risk profile is marked by relatively low networth base, moderate gearing and healthy debt protection metrics. The tangible net worth of the company increased to Rs.9.64 Cr as on March 31, 2021 from Rs.7.68 Cr as on March 31, 2020 due to accretion of reserves. Acuité has considered unsecured loans of Rs.2.86 Cr as on March 31, 2021, as quasi-equity as the management has undertaken to maintain the amount in the business over the medium term. Gearing of the company stood at 1.00 times as on March 31, 2021 as against 1.02 times as on March 31, 2020, whereas, Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood moderately at 1.15 times as on March 31, 2021 as against 1.22 times as on March 31, 2020. The healthy debt protection metrics is marked by Interest Coverage Ratio at 2.21 times as on March 31, 2021, and Debt Service Coverage Ratio of 1.42 times as on March 31, 2021. Net Cash Accruals/Total Debt (NCA/TD) stood healthy at 0.14 times as on March 31, 2021. Acuité believes that going forward the financial risk profile will remain moderate over the medium term, in the absence of any major debt funded capex plans.

- **Low profitability margins**

The operating margin of RBFPL increased to 5.44 per cent in FY2021 as compared to 5.19 per cent in FY2020. The PAT margin remained steady at 0.75 per cent for FY21 & FY20. Further, for the 11 months' period of FY2022, the company has achieved operating margin of 2.78 per cent (provisional) and PAT margin of 1.00 per cent (provisional). The sharp decline in the operating margin is due to the rise in the raw material, manufacturing and other cost.

- **Competitive and fragmented industry**

The firm is 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

- Growth in the scale of operations while improving profitability margins
-

Material covenants

None

Liquidity Position: Adequate

The company's liquidity is adequate marked by steady net cash accruals of Rs.1.34 Cr as on March 31, 2021 as against long term debt repayment of Rs.0.58 Cr over the same period. The company has not availed any loan moratorium. The cash and bank balances of the company stood at Rs.0.02 Cr as on March 31, 2021. The current ratio stood comfortable at 1.49 times as on March 31, 2021 as compared to 1.42 times as on March 31, 2020. The fund based limit remains highly utilised at 90 per cent over the ten months ended January, 2022. The working capital management of the company is moderate marked by Gross Current Assets (GCA) of 107 days in 31st March 2021 as compared to 89 days in 31st March 2020. Acuité believes that going forward the company will maintain adequate liquidity position due to steady accruals.

Outlook: Stable

Acuité believes that the outlook on RBFPPPL will remain 'Stable' over the medium term on account of the long track record of operations, experienced management and improvement in the 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.	47.99	43.87
PAT	Rs. Cr.	0.36	0.33
PAT Margin	(%)	0.75	0.75
Total Debt/Tangible Net Worth	Times	1.00	1.02
PBDIT/Interest	Times	2.21	2.43

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

CRISIL, vide its press release dated January 13, 2021 had denoted the rating of Rashik Bihari Food Product Private Limited as 'CRISIL B/Stable/A4; ISSUER NOT COOPERATING'.

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entity: <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 (Up to last three years)

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	9.20	ACUITE A4+ Assigned
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.50	ACUITE BB+ Stable Assigned

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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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