



Press Release
PADMASRI RICE INDUSTRIES PRIVATE LIMITED
December 26, 2023
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	36.00	ACUITE BB- Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	36.00	-	-

Rating Rationale

Acuite has assigned its long term rating of **ACUITE BB- (read as ACUITE double B minus)** on Rs.36 Cr. bank facilities of Padmasri Rice Industries Private Limited (PRIPL). The outlook is **'Stable'**.

Rationale for rating assigned

The rating assigned takes into account the extensive experience of the promoters in the rice milling business along with the location advantage of the company's factory being located at Miryalaguda, a popular rice milling hub of Telangana state. Furthermore, Acuite also takes into account the nascent stage of its operations which started from October 2022 and registered revenues to the tune of Rs.48.27 Cr. in FY2023. Also, the company already registered revenues of Rs.39.99 Cr in H1 FY2024.

However, the above-mentioned strength of the company is offset by working capital intensive nature of operation with high GCA days of 131 days for FY2023 and high utilisation of its working capital limits. The rating is also constrained by below average financial risk profile and susceptibility of profitability due to volatility in raw material prices with competitive nature of the industry.

About the Company

Telangana based company Padmasri Rice Industries Private Limited incorporated in 2023. The major activity of Padmasri Rice Industries is Manufacturing of food products and is Primarily engaged in the Rice milling. The current Director of company is Mr. Murali Mohan Jaini, Mr. Paidimarry Ranganadh and Mr. Yadagiri Pabba.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profile of PRIPL

Key Rating Drivers

Strengths

Experienced promoters and location advantage of the factory

Padmasri Rice Industries private limited (PRIPL) was initially incorporated as partnership firm in

February 2021 and later converted into private limited company in September'2023. Company is promoted by Mr. Murali Mohan Jaini and Mrs.Shailaja Jaini, and is engaged in rice milling

activity. Promoters of the company has extensive experience in rice milling business. Company's factory is located at Miryalaguada, Telangana with annual milling capacity of four lakh quintals. Miryalaguda, TS that is one of the largest rice mill hubs in India which is surrounded by paddy fields fuelled by the good irrigation facility and close proximity to procurement facilities. The area is well connected with road network for supply and procurement of finished goods and raw materials and has adequate availability of both skilled and unskilled worker. Products of the company includes lashkari rice, HMT, R&R, BPT and other variety of rice. Furthermore, the company started its operations in the month of October 2023 and clocked revenues to the tune of Rs.48.27 Cr in FY2023 (only for six months). Also, the company already registered revenues of Rs.39.99 Cr in H1 FY2024.

Acuite believes that the operations of the company will remain stable over the medium term on account of experience promoters and location advantage of its factory unit.

Weaknesses

Below average financial risk profile

The financial risk profile of the company is below average marked by low net worth, moderate capital structure and coverage indicators. The company's total net worth stood low at Rs.10.89 Cr as on March 31st 2023 as against Rs.6.14 Cr as on March 31st 2022. The improvement in net worth is majorly attributable to accretion of profits to reserves and infusion of additional capital during the year. The gearing of the company improved yet remained high at 1.58 times as on March 31st 2023 as against 2.79 times as on March 31st 2022. The total debt of the company of Rs.17.22 Cr as on March 31st 2023 consist of long term debt of Rs.15.43 Cr, short term debt of Rs.1.26 Cr and Unsecured loan from promoters at Rs.0.53 Cr. However, the Interest coverage ratio and debt service coverage ratios stood comfortable at 2.79 times as on March 31st 2023. The net cash accrual (NCA) to total debt(TD) is 0.20 times as on March 31st 2023. The total outside liabilities to tangible net worth stood(TOL/TNW) at 2.75 times as on March 31st 2023 as against 3.32 times as on March 31st 2022.

Acuite believes that any improvement in the financial risk profile of the company will remain a key rating sensitivity over the medium term.

Working capital intensive nature of operations

The operations of the company remain working capital intensive marked by high Gross current asset (GCA) days of 131 days for FY2023. The high GCA days are mostly dominated by inventory and debtor days. The debtor days stood at 72 days in FY23 and inventory days stood at 39 days in FY23. Subsequently, the creditor days stood at 113 days in FY23. The working capital intensive nature of operations has led to high utilisation of its bank limits where the average utilisation stood at 90 percent for six months ended October 2023. Acuite believes that working capital operations of the company will remain in same level going forward.

Susceptibility of profitability to competitive industry and fluctuations in raw material prices

The company operates in a highly competitive and fragmented industry and faces tough competition from various established brands in the rice milling industry as well as several unorganized players, which can have an impact on the bargaining powers with the customers and hence on the margins. Profitability margins are also susceptible to raw material price fluctuation and on the proportion of trading and processing activities of the company.

Rating Sensitivities

- Sustainability in their growth in scale of operations and increase in operating margins
- Elongation in working capital cycle leading to stretch in liquidity
- Deterioration in the capital structure

All Covenants

None

Liquidity: Adequate

Liquidity profile of the company remains adequate marked by net cash accruals of Rs.3.51 Cr in FY2023 against no repayment obligations during the same period. The net cash accruals are expected to be in range of Rs.4.02 Cr to Rs. 4.54 Cr against its repayment obligation of Rs.2.10 Cr to Rs.2.30 Cr during the same period. The company's current ratio stood at 1.44 times as on March FY2023. Company's GCA days are 131 days in FY2023 making it dependent on bank borrowings for its working capital requirements marked by high average utilisation of around 90 percent during the past 6 months ending October 2023. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of adequate cash accrual against its matured debt obligations.

Outlook: Stable

Acuité believes that company will maintain a 'Stable' outlook and continue to benefit over the medium term owing to its promoter's extensive industry experience and location advantage. The outlook may be revised to 'Positive' in case of sustained improvement in the scale of operations and profitability while maintaining comfortable financial risk profile and liquidity position. Conversely, the outlook may be revised to 'Negative' in case of a steep decline in revenue and profitability or if the financial risk profile weakens, because of stretch in the working capital cycle or higher than expected debt funded capital expenditure.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	48.27	0.00
PAT	Rs. Cr.	0.22	0.02
PAT Margin	(%)	0.45	0.00
Total Debt/Tangible Net Worth	Times	1.58	2.79
PBDIT/Interest	Times	2.79	1.45

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>
- Entities In Manufacturing Sector:- <https://www.acuite.in/view-rating-criteria-59.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.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

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	7.00	ACUITE BB- Stable Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	13.00	ACUITE BB- Stable Assigned
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	16.00	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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