

Press Release

Luxmi Rice Mills

23 March, 2018

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 14.00Cr.
Long Term Rating	SMERA BB/ Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long-term rating of '**SMERA BB**' (read as **SMERA double B**) on the Rs.14.00 crore bank facilities of Luxmi Rice Mills (LRM). The outlook is '**Stable**'.

Established in 1980, Luxmi Rice Mill (LRM) is a proprietorship firm engaged in the processing and trading of basmati and non-basmati rice. The manufacturing facilities are located in Nissing (District Karnal) Haryana, with an installed capacity of 3 MT per hour. The firm was promoted by Mr. Roshan Lal Singla and it sells under the brand name of 'Singal Chabi'.

Key Rating Drivers

Strengths

- **Experienced management**

The proprietor of Luxmi Rice Mills (LRM), Mr. Roshan Lal Singh has experience of more than three decades in the rice milling business.

- **Proximity to rice growing area**

The manufacturing facility of LRM is located in Nissing (Haryana), which offers raw material proximity to LRM; given this area has ample production of rice. A number of rice mandis are located in Haryana. The firm is procuring raw material (paddy) from local mandis of Haryana as well as from Uttar Pradesh.

- **Improvement in operating income**

The operating income has improved in FY 17 where the firm registered Rs.71.36 crore as compared to Rs.54.00 crore in FY2016 thereby registering a healthy y-o-y growth of 32.14 per cent. LRM's operating income grew at compounded annual growth rate (CAGR) of 21.24% for the period under study (FY2014-15 to FY2016-17). The company has booked Rs.75.00 crore till February in FY2018 (Provisional).

Weaknesses

- **Average financial risk profile**

The financial risk profile is marked by moderate net-worth, gearing and debt protection metrics. The net worth of the company stood moderate at Rs.10.55 crore in FY2017 as compared to Rs.10.66 crore in FY2016, net-worth includes unsecured loan of Rs. 8.65 crores of which is subordinated to bank debt, hence treated as quasi equity by SMERA. The gearing stood at a moderate at 1.42 times in FY2017 as compared to 1.77 times in FY2016. The total debt of Rs.15.02 crore consists of only short term debt from the bank. The Interest Coverage Ratio (ICR) stood healthy at 1.17 times in FY2017 compared to 1.16 times in FY2016. The Debt Service Coverage Ratio (DSCR) stood comfortable at 1.17 times in FY2017 and 1.16 times in FY2016. The net cash accruals against total debt stood low at 0.02 times in FY2017 and 0.02 times in FY2016.

- **Working capital intensive operations**

The operations are working capital intensive as reflected in the Gross Current Assets (GCA) days of 135 in FY2016-17, compared to 224 in FY2015-16. The high GCA day is a result of the collection period and inventory days of 98 and 37 in FY2017. The operations are expected to remain capital intensive, as the company is engaged in processing of rice. This leads to a relatively high collection and inventory period. The company is also exposed to the inherent cyclicity in the rice industry.

• Agro climatic risk and exposed to risk related with fluctuation in raw material price

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. The company is exposed to the risk related with fluctuation in raw material price. As paddy price is largely dependent on several external factors like domestic demand outlook, International trade regulations and domestic productions. Thus the firm is exposed to significant risk related with raw material fluctuation.

Analytical Approach

SMERA has considered the standalone financial and business risk profile of the firm.

Outlook: Stable

SMERA believes that the firm will maintain its stable business risk profile on the bank of the management's extensive experience in the rice milling business. The outlook may be revised to positive in case of sustained increase in revenues and accruals while improving its working capital cycle. Conversely, the outlook may be revised to negative in case significant decline in revenues and accruals or in case of elongation of working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	71.36	54.00	40.04
EBITDA	Rs. Cr.	2.25	2.47	2.19
PAT	Rs. Cr.	0.16	0.13	0.11
EBITDA Margin	(%)	3.16	4.58	5.48
PAT Margin	(%)	0.23	0.24	0.28
ROCE	(%)	7.65	8.89	10.13
Total Debt/Tangible Net Worth	Times	1.42	1.77	1.30
PBDIT/Interest	Times	1.17	1.16	1.38
Total Debt/PBDIT	Times	6.62	7.51	5.45
Gross Current Assets (Days)	Days	135	224	271

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

NA

Any other information

NA

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
26-Dec-2016	Term Loan	Long Term	INR 0.38	SMERA BB/ Stable (Reaffirmed)
	Cash Credit	Long Term	INR 13.62	SMERA BB/ Stable (Reaffirmed)
24-Nov-2015	Term Loan	Long Term	INR 0.22	SMERA BB/ Stable (Assigned)
	Cash Credit	Long Term	INR 10.00	SMERA BB/ Stable (Assigned)
	Cash Credit (Proposed)	Long Term	INR 3.78	SMERA BB/ Stable (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	14.00	SMERA BB/ Stable (Reaffirmed)

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