

May 19, 2014

Facilities	Amount (Rs. Crore)	Rating
Cash Credit I	2.00	SMERA D (Assigned)
Cash Credit II	2.00*	SMERA D (Assigned)
Packing Credit I	3.00 #	SMERA D (Assigned)
Packing Credit II	3.00*	SMERA D (Assigned)
Term Loan I	13.00	SMERA D(Assigned)
Term Loan II	9.00	SMERA D (Assigned)

*Interchangeability between pre- shipment into cash credit for Rs. 2.00 crore and vice versa.

Sub-limit of FDBP/FUDBP to the extent of Rs. 2.00 crore

SMERA has assigned a rating of '**SMERA D' (read as SMERA D)** to the Rs.32.00 crore fund based bank facilities of Richfield Industries Private Limited (RIPL). The rating reflects intense pressure on the company's debt servicing ability on account of substantial debt-funded capex undertaken towards capacity expansion. The rating is constrained by the company's short track record of operations in an intensely competitive biscuit industry. The rating is also constrained by the company's exposure to product offtake risk and raw material price volatility.

RIPL, incorporated in 2012, is a Rajasthan-based company engaged in manufacturing biscuits and cookies, which are sold under the brand name 'Richlite'. RIPL commenced commercial production in July 2013. The company has installed capacity of 16,200 metric tonnes per annum (MTPA), including 14,400 MTPA for biscuits and 1,800 MTPA for cookies. RIPL is undertaking capex (of Rs.29.20 crore) for installing additional capacity of 16,000 MTPA at its existing manufacturing unit. The aforementioned capex will be funded through term loans of Rs.17.00 crore and promoters' funds of Rs.12.20 crore.

RIPL's term loan repayment is scheduled to commence from June 2014. The company's total debt repayment obligation (considering term loans and working capital limit) is Rs.12.19 crore in FY2014-15 (refers to financial year, April 01 to March 31). SMERA believes RIPL's operating cash flows will be insufficient to meet the debt servicing obligation of the company. Although RIPL's debt facilities are backed by corporate guarantee from Rangoli International Private Limited (group entity), there is no definite structure enabling timely debt servicing.

RIPL faces stiff competition from several players in the Indian biscuit industry, wherein three major companies (Britannia, Parle and ITC) in the organized sector command ~80 per cent of the total market share. RIPL also competes with several regional players in the unorganized sector of the biscuit industry. The company is thus exposed to product offtake risk. RIPL's profit margins are exposed to volatility in prices of flour, sugar, oil and other raw materials. The company does not have any long-term contract with suppliers.

SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.

RIPL is promoted by Mr. Luv Bhardwaj and Mr. Ravi Bhola. The overall operations of the company are managed by Mr. S. K. Singhal, a postgraduate with around two decades of experience in the food processing industry.

Rating sensitivity factors

- Sustained increase in net cash accruals
- Timely debt servicing
- Ability to establish strong brand image while maintaining price competitiveness
- Increase in scale of operations and improvement in profit margins
- Large debt-funded capex
- Efficient working capital management

About the company

RIPL, incorporated on March 09, 2012, is a Rajasthan-based company promoted by Mr. Luv Bhardwaj and Mr. Ravi Bhola. RIPL manufactures biscuits and cookies. The company commenced commercial operations in July 2013. RIPL has a manufacturing unit in Export Promotion Industrial Park (EPIP), Alwar District (Rajasthan), with total installed capacity of 16,200 MTPA. Further, the company is undertaking capex to increase the installed capacity to 32,200 MTPA.

RIPL's net worth stood at Rs.12.73 crore as on March 31, 2013.

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