

Press Release

Shri Rewa Rice Mills Private Limited (SRRMPL)

February 03, 2020

Ratings

Sl. No.	Instrument/Facility	Amount (Rs Crore)	Rating Assigned
1	Long Term (Fund based)	14.10	IVR BB / Stable Outlook ; (IVR Double B with Stable Outlook)

Details of facilities are in Annexure 1

Rating Rationale

The rating derives strength from experienced management, y-o-y growth in revenue & EBITDA margin and proximity to raw material supplier. The rating however is constrained by stretched operating cycle and increased working capital requirements, moderate financial risk profile and fluctuation in raw-material cost.

Key Rating Sensitivities:

➤ **Upward Rating Action -**

Sustained improvement in EBITDA margin leading to substantial improvement in debt protection metrics.

➤ **Downward Rating Action -**

Deterioration in revenue and/or profitability leading to deterioration in debt protection metrics.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced Promoters & Management

The Raghuvanshi family & the present directors have an experience of around six decades in the business of trading of rice grain, refined cooking oil, pulses, sugar, wheat flour. The directors are supported by a team of experienced and qualified professionals.

Y-o-Y growth in revenue & EBITDA margin

The company revenue grew to Rs.89.50 crores in FY19 (FY18: Rs.73.20 crores) with a growth of 22.90%. EBITDA margin is also improving due to economies of scale and stood at

4.91% in FY19 (FY18:4.60%). In 9 months of FY20, the company achieved revenue Rs.61.53 crores (9MFY19 Rs.59.94 crores) & EBITDA margin of 5.35% (9MFY19: 4.98%)

Proximity to raw material supplier

The plant is located in the Raisen district of Madhya Pradesh with the plenty availability of rice paddy. The company also entered into the contract farming with the farmers which also ensures quality & timely availability of raw material.

Key Rating Weaknesses

Stretched operating cycle and increased WC requirements

The company has elongated inventory days (112 days – FY19) driven by high raw material holding period. Raw material holding period has been around 95 days (FY19). Debtor days and creditor days during the same period stood at 14 days and 30 days respectively which is inherent to the rice processing business. Thus the total operating cycle stood at 96 days in FY19.

Moderate financial risk profile

The company's financial risk profile is moderate with gearing of 5.06 times as on 31 March, 2019 as compared to 5.31 times in the previous year on account of working capital facilities being used to procure paddy during the peak season (Oct-Feb). Total debt stood at Rs.30.26 crore in FY19 - mainly comprising of working capital loan. The adjusted TOL/TNW stood at 3.94 times in FY2019 as against 3.82 times in the previous year. Interest coverage ratio (ICR) was at 1.72 times in FY19 (FY18:1.52x)

Fluctuation in raw-material cost

Main raw material for SRRMPL is Paddy which is a seasonal crop and its production is dependent on monsoon season thus, inadequate rainfall may affect the availability of paddy. Further, paddy prices are depended on external factors like household demands, international trade regulations etc. Hence, these factors are co-related with price fluctuation in raw materials of SRRMPL. However, any major fluctuation in the raw material price can be pass on to the customers.

Analytical Approach & Applicable Criteria:

- Standalone
- Rating Methodology for Manufacturing companies
- Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity: Stretched

The company is earning a modest level GCA Rs.1.59 crore during FY19 and the same is expected to increase gradually with increase in scale of operation and level of margin, while the long term debt is likely to reduce indicating lower debt servicing obligations. All these factors indicate a moderate degree of liquidity of the company in meeting it's near term debt obligations. The business is also working capital intensive indicating a stretched liquidity position.

About the company

SRRMPL initially indulged in trading of food products like rice grain, refined cooking oil, pulses, sugar, wheat flour (atta, maida) and gradually moved to grow and grasp new opportunities in the market. Since May 23, 2014 it started its own manufacturing unit of Basmati & Non-Basmati Ricewith an annual installed capacity of 24000 MT per annum. The company is promoted by Raghuvanshi family headed by Mr. Rajendra Singh Raghuvanshi and Mr. Chhotelal Raghuwanshi. As of today, it has fully integrated and automated rice milling plant with production and packaging capacity of 120MT per day and has launched its own brand - "Shri Rewa Brands" in 2015 and it entered in international market in 2017.

Financials (Standalone)

(Rs. Crore)

For the year ended / As on	31-Mar-18 (A)	31-Mar-19 (A)
Total Operating Income	73.20	89.52
EBITDA	3.37	4.40
PAT	0.32	0.83
Total Debt	27.32	30.26
Tangible Net worth	5.15	5.98
EBIDTA Margin (%)	4.60	4.91
PAT Margin (%)	0.43	0.93
Overall Gearing ratio (x)	5.31	5.06

* Classification as per Infomerics' standards

Details of Non Cooperation with any other CRA: Crisil in its press release published on May 24, 2019 has classified the case under “Issuer Not Cooperating” status as the company did not provide the requisite information needed to conduct the rating

Any other information: N.A

Rating History for last three years:

Name of Instrument/ Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
	Type	Amount outstanding (Rs. Crore)	Rating	Rating assigned in 2018-19	Rating assigned in 2017-18	Rating assigned in 2016-17
Fund Based Facilities	Long Term (TL)	7.10	IVR BB /Stable Outlook	--	--	--
Fund Based Facilities	Cash Credit (CC)	7.00		--	--	--
	Total	14.10				

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company’s long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Sr. no	Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. crores)	Rating Assigned/ Outlook
1	Long Term Fund Based (TL)	--	--	--	7.10	IVR BB / Stable Outlook
2	Long Term Fund Based (CC)	--	--	--	7.00	
Total					14.10	