



## Press Release

### Sree Murali Mohana Boiled and Raw Rice Mill Private Limited (SMBRM)

December 27, 2022

#### Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Fund Based - Long Term facilities – Cash Credit	145.00	IVR BBB+ Stable (IVR Triple B Plus with Stable Outlook)	Assigned	Simple
Fund Based - Long Term facilities –Term Loans	14.21	IVR BBB+ Stable (IVR Triple B Plus with Stable Outlook)	Assigned	Simple
Fund based – Short Term facilities – PCFC	100.00	IVR A2 (IVR A Two)	Assigned	Simple
Proposed Short Term facilities	32.79	IVR A2 (IVR A Two)	Assigned	Simple
<b>Total</b>	<b>292.00</b> <b>(Rupees Two Hundred Ninety -Two Crores only)</b>			

Details of Facilities are in Annexure 1

#### Detailed Rationale

The assignment of ratings to the bank loan facilities of Sree Murali Mohan Boiled and Raw Rice Mill Private Limited (SMBRM) has taken into consideration, the experienced promoters with established track record, strong distribution network, consistent growth in operations with stable financial performance and stable demand prospects for rice. However, the ratings are constrained by the exposure to agro-climatic risk, fragmented nature of industry leading to thin profit margins, exposure to forex risk and vulnerability to government policies. Write about forex risk

#### Key Rating Sensitivities:



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### Upward Factors

- Significant improvement in scale of operation with improvement in profitability and debt protection metrics on a sustained basis
- Improvement in operating cycle with improvement in liquidity.

### Downward Factors

- Dip in operating income and/or profitability impacting the debt protection metrics with deterioration in the interest coverage ratio
- Deterioration in working capital cycle and liquidity profile of the company.

### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

##### **Experienced promoters with established track record**

The Promoters of the company led by Mr. Chinta Veera Raghava Reddy, Managing Director, has more than three decades of experience in the rice-milling industry and who has helped the company to become an established player in non-basmati rice segment. The promoters also have sufficient resources to infuse capital as and when required into the business. The promoters have infused Rs 3.00 crores of capital in FY22. The company has established long-term relationships with its customers and suppliers which are beneficial to the operations. The company's utilized capacity remained in the range of 50-60% in FY22. Additionally, the commencement of operations of the ~4 MW rice husk run power plant during FY21 which is expected to augment the increased capacity utilization. With a long track record of operations, the company has established its brand, "Bell" in the market. "Bell" is the flagship brand of the company.

##### **Strong distribution network**

The company has developed an established distribution network over the last decade to sell rice in the open market where the realizations are higher. Additionally, the company currently has a confirmed export order book position of ~Rs. 134 Crores as on Sep 2022 to be executed in FY23. Many of the clients have been dealing with the company for past many



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years and have been giving repeat orders due to the established track record. Due to the increase in demand from African countries, exports have improved from 16% in FY 20 to 37% during FY 22.

### **Consistent growth in operations with stable financial performance**

Total revenues and profitability of the company has improved consistently in the past few years with company reporting total revenues of Rs 799.28 crores in FY22 when compared to Rs 707.72 Crores in FY21 and Rs 604.24 Crores in FY20. Profitability of the company has increased in last couple of years with PAT margin improving to 1.14% in FY22 from 0.98% in FY21. Also, gross cash accruals have increased from Rs 9.30 Crores in FY21 to Rs 15.16 Crores in FY22. Going forward, with commissioning of ~4 MW Cogen power plant will help the company in increasing its capacity utilisation and at the same time reduction in power expenses. This is likely to result in an increase in profit and cash accruals of the company. On a provisional basis, for H1FY23, the company has reported total operating income of Rs 571.62 Crores and PBT of Rs 8.54 Crores.

### **Stable demand prospects for rice**

The demand prospects for rice industry are expected to remain stable as rice is a staple food grain and India is the world's second largest producer and one of the top exporters in global rice trade. Rice is one of India's most important food crops, feeding the population of India, as well as a key generator of employment.

### **Key Rating Weaknesses**

#### **Exposure to Agro-climatic risk**

Cultivation of paddy, the primary raw material, depends on monsoon and availability of irrigation. Hence, SMBRM is susceptible to any shortage or price fluctuation during unfavourable climatic conditions.

**Fragmented nature of the industry leading to thin profit margins.**



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The rice-milling industry is characterised by intense competition and consequent low entry barriers, limiting the pricing flexibility of players like SMBRM. As a result, the profit margins remained thin with operating margin of 3.98% and PAT of 1.14% for FY22.

### **Vulnerability to changes in Government policies**

The rice milling industry is regulated in terms of paddy prices, export/import of rice, and the release mechanism. Thus, the company remains exposed to changes in Government policies in relation to stipulation of MSP for procurement of paddy from farmers and revision of policies on export, etc.

### **Exposure to Forex risk**

The company is exposed to forex risk as ~38% of total revenues of the company is from exports and hence the company is exposed to any adverse movements in foreign exchange rates. However, the forex risk is partially offset by the fact that the company's exports are backed by LC/CAD and the fact that the price of USD against INR has increased consistently in last 1 year.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Rating Methodology for manufacturing companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria of assigning rating outlook](#)

### **Liquidity –Adequate**

The company's liquidity remains adequate with GCA of 15.16 Crores and tangible networth of Rs 84.33 Crores. Company also has cash and bank balances of Rs 8.00 Crores as on 30 September 2022 against total debt repayment of Rs 6.84 Crores per year. Current ratio for FY22 stood comfortable at 1.24x with average cc utilisation of 60.25% for last 12 months ending 30 September 2022.



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### About the Company

Sree Murali Mohana Boiled and Raw Rice Mill Private Limited ('SMBRM' or 'the company') was incorporated in 1983 as a partnership firm and reconstituted as a private limited company in 2002. It is engaged in the milling, processing, and selling of boiled rice, raw rice, bran and husk. The company has a manufacturing plant at Komaripalem, Biccavolu Mandal, East Godavari district, A.P. The company sells its product under the brand names "Bell" "Kuthuvillaku" and "CPR", which are recognized in Andhra Pradesh, Telangana, Kerala, Tamil Nadu and Karnataka markets. The company produces and sells only non-basmati rice. The present installed capacity has a milling capacity of 25,78,000 quintals of paddy per annum.

### Financials (Standalone)\*:

Rs in Crores

For the year ended on/As on	31 March 2021	31 March 2022
	(Audited)	(Audited)
Total Operating Income	703.80	795.50
EBITDA	30.98	31.63
PAT	6.97	9.15
Total Debt	199.47	167.35
Tangible Networth	72.30	84.33
EBITDA Margin (%)	4.40	3.98
PAT Margin (%)	0.98	1.14
Overall Gearing (X)	2.76	1.98

\*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Not applicable

Any other information: NA

Rating History for last three years:

Sr. No.	Name of Instrument/Fa	Current Ratings (Year 2022-23)	Rating History for the past 3 years
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	Facilities	Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Long Term Bank Facilities – Cash Credit	Long Term	145.00	IVR BBB+ Stable	-	-	-
2.	Long Term Bank Facilities – Term Loans	Long Term	14.21	IVR BBB+ Stable	-	-	-
3.	Short Term Bank Facilities – PCFC	Short Term	100.00	IVR A2	-	-	-
4.	Proposed Short Term Facilities	Short Term	32.79	IVR A2	-	-	-

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### About Infomerics:

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### Annexure 1: Details of Facilities:

Name of Facility/Instrument	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	October 2024	14.21	IVR BBB+/Stable
Cash Credit	-	-	Revolving	145.00	IVR BBB+/Stable
PCFC	-	-	Revolving	100.00	IVR A2
Proposed Short Term Facilities	-	-	-	32.79	IVR A2

**Annexure 2: List of companies considered for consolidated analysis: Not Applicable.**

**Annexure 3: Facility wise lender details**

<https://www.infomerics.com/admin/prfiles/Len-SMBRM-dec22.pdf>

**Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable**

**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](http://www.infomerics.com).