



Press Release

Sree Murali Mohana Boiled and Raw Rice Mill Pvt. Ltd

August 01, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	192.00*	IVR BBB+/ Stable (IVR Triple B Plus with Stable Outlook)	IVR BBB+/ Negative (IVR Triple B Plus with Negative Outlook)	Re-affirmed and Change in outlook	Simple
Short Term Bank Facilities	100.00	IVR A2 (IVR A Two)	IVR A2 (IVR A Two)	Re-affirmed	Simple
Total	292.00	Rupees Two Hundred and Ninety Two Crores Only			

*Includes Proposed Loan of Rs. 0.89 Crore

Details of Facilities are in Annexure 1

Facilities wise lender details are at Annexure – 2

Detailed explanation of covenants is at Annexure – 3

Detailed Rationale

Infomerics Valuation and Rating Private Limited (IVR) has re-affirmed the long-term rating to IVR BBB+ along with change in outlook from Negative to stable due to improved business performance in the domestic market and short-Term rating to IVR A2 for the bank loan facilities of Sree Murali Mohana Boiled and Raw Rice Mill Pvt. Ltd (SMMBRRMPL).

The re-affirmation of the ratings assigned to the bank facilities of Sree Murali Mohana Boiled and Raw Rice Mill Pvt. Ltd (SMMBRRMPL) continue to derive strength from the vast experience of the management and established track record of operations, continuous increase in the scale of operations, satisfactory capital structure and interest coverage ratio, moderate working capital cycle and steady demand outlook for rice. However, these ratings strengths are partially constrained due to the susceptibility to agro climatic risk, regulatory risk and forex fluctuation risk, thin profit margins, intense competition in domestic and export market and export ban on non-basmati rice.

Revision in outlook was based on improved business performance in the domestic market which mitigate the effect of recent development in rice export policy by Government of India.

IVR has principally relied on the standalone audited financial results of SMMBRRMPL upto 31 March 2023 and Provisional financials for FY2024 (Refer period from April 01, 2023 to March



Press Release

31, 2024) and Projected financials for FY2025 to FY2027, and publicly available information/clarifications provided by the company's management.

Key Rating Sensitivities:

Upward Factors

- Significant improvement in scale of operation to Rs. 1,000 Crore with improvement in profitability and debt protection metrics on a sustained basis.
- Improvement in the capital structure with further improvement in debt protection metrics.

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.
- Increase in operating cycle with deterioration in liquidity.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters with established track record

The Promoters of the company led by 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 company has established long term relationships with its customers and suppliers which are beneficial to the operations. 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. 59.71 Crores as on June 2024 to be executed



Press Release

in July 2024. Many of the clients have been dealing with the company for past many years and have been giving repeat orders due to the established track record.

Consistent growth in operations with stable financial performance

The scale of operations of the company has been increasing at a CAGR of 10.85% during last three financial years ending in FY24 to ~Rs. 982.20 crore in FY24 as against ~Rs. 799.22 crore in FY22. The company reported operating profit of Rs.37.04 crore in FY24; increased from Rs.35.18 crore in FY23. The profitability margins, such as EBITDA margin, slightly improved by 26 bps and stood at 3.77% in FY24 as compared to 3.71% in FY23 on account of a decline in freight cost due to decline in exports from Rs. 421.87 Crore to Rs. 220.55 Crore as on March 24. Despite increase in EBITDA margin, PAT margin declined by 35 bps and stood at 0.94% in FY24 as against 1.29% in FY23 mainly on account of an increase in interest expenses.

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, SMMBRRMPL is susceptible to any shortage or price fluctuation during unfavourable climatic conditions.

Fragmented nature of the industry leading to thin profit margins.

The rice-milling industry is characterised by intense competition and consequent low entry barriers, limiting the pricing flexibility of players like SMMBRRMPL. As a result, the profit margins remained thin with operating margin of 3.77% and PAT of 0.94% for FY24.



Press Release

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.

Export ban on non-basmati rice

Since July 2023, Government of India has imposed a ban on export of non-basmati white rice. India, the world's largest rice exporter, banned the exports of non-basmati white rice on July 20, 2023, as the government sought to tame surging domestic food prices and ensure adequate domestic availability at reasonable prices. Later on since August 2023, Government of India has also imposed an additional 20% export duty of export of Parboiled rice to limit the price inflation of rice in domestic market.

Analytical Approach: For arriving at the ratings, IVR has analysed SMMBRRMPL's credit profile by considering the standalone financial statements of the company.

Applicable Criteria:

[Rating Methodology for manufacturing entities](#)

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

[Criteria for assigning rating outlook](#)

[Policy on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)

Liquidity – Adequate

SMMBRRMPL has earned a gross cash accrual of Rs. 15.49 crore in FY24. Further the company is expected to earn a gross cash accrual in the range of ~Rs.20.03 Crore – Rs. 24.28 crore as against its debt repayment obligations in the range of ~Rs.4.80 Crore to Rs. 5.40 crore per year during FY25-27. Accordingly, the liquidity position of the company is expected to remain adequate with the moderate level of repayment obligation in the near to medium term. Further, average cash credit utilisation of the company remained moderate at ~87.93% during the past 12 months ended May 2024 indicating adequate liquidity cushion.



Press Release

About the Company

Sree Murali Mohana Boiled and Raw Rice Mill Pvt Ltd ('SMMBRRMPL' 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. crore)

For the year ended as on	31-03-2023	31-03-2024
	Audited	Provisional
Total Income	1001.88	982.20
EBITDA	35.18	37.04
PAT	12.90	9.21
Total Debt	174.21	197.77
Tangible Networth	94.44	103.58
EBITDA Margin	3.51%	3.77%
PAT Margin	1.29%	0.94%
Overall Gearing ratio	2.16x	2.20x
Interest Service coverage ratio	2.57x	2.14x

Status of non-cooperation with previous CRA: Nil

Any other information: Not Applicable

Rating History for last three years:



Press Release

Sr. No.	Type of Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Tenure	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24 Dated : Feb 05, 2024	Date(s) & Rating(s) assigned in 2022-23 Dated : Dec 27, 2022	Date(s) & Rating(s) assigned in 2021-22
1.	Term Loan (Including Proposed Loan of Rs. 0.89 Crore)	Long Term	47.00	IVR BBB+/Stable (IVR Triple B Plus; with Stable Outlook)	IVR BBB+/Negative (IVR Triple B Plus with Negative Outlook)	IVR BBB+/Stable (IVR Triple B Plus; with Stable Outlook)	-
2	Cash Credit	Long Term	145.00	IVR BBB+/Stable (IVR Triple B Plus; with Stable Outlook)	IVR BBB+/Negative (IVR Triple B Plus with Negative Outlook)	IVR BBB+/Stable (IVR Triple B Plus; with Stable Outlook)	-
3	PCFC	Short Term	100.00	IVR A2 (IVR A Two)	IVR A2 (IVR A Two)	IVR A2 (IVR A Two)	-

Name and Contact Details of the Rating Analyst:

Name: Om Prakash Jain
Tel: (011) 45579024
Email: opjain@infomerics.com

About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

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Press Release

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	July 2019 – Oct 2024	6.51	IVR BBB+/Stable (IVR Triple B Plus; with Stable Outlook)
Term Loan	-	-	July 2019 – Oct 2024	2.10	IVR BBB+/Stable (IVR Triple B Plus; with Stable Outlook)
Term Loan	-	-	Oct 25 – Sep 2033	37.50	IVR BBB+/Stable (IVR Triple B Plus; with Stable Outlook)
Term Loan (Proposed)	-	-	-	0.89	IVR BBB+/Stable



Press Release

					(IVR Triple B Plus; with Stable Outlook)
Cash Credit	-	-	-	145.00	IVR BBB+/Stable (IVR Triple B Plus; with Stable Outlook)
PCFC	-	-	-	100.00	IVR A2

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-SreeMuraliMohana-aug24.pdf>

Annexure 3: Detailed explanation of covenants of the rated securities/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated analysis: 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 [Complexity Level of Rated Instruments/Facilities](#).