



## Press Release

### Sree Murali Mohana Boiled and Raw Rice Mill Pvt. Ltd

Feb 05, 2024

#### Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	192.00*	IVR BBB+/Negative (IVR Triple B Plus; with Negative Outlook)	IVR BBB+/Stable (IVR Triple B Plus; with Stable 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
<b>Total</b>	<b>292.00</b>	<b>Rupees Two Hundred and Ninety Two Crores Only</b>			

\*Includes Proposed Loan of Rs. 0.89 Crore

#### Details of Facilities are in Annexure 1

#### Detailed Rationale

Infomerics Valuation and Rating Private Limited (IVR) has re-affirmed the long-term rating to IVR BBB+ with a Negative outlook 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 recent development in rice export policy by Government of India which leading to uncertainty in related industry.

IVR has principally relied on the standalone audited financial results of SMMBRRMPL upto 31 March 2023 and projected financials for FY2024, FY2025 and FY2026, and publicly available information/ clarifications provided by the company's management.

#### Key Rating Sensitivities:



## Press Release

### 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 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 61.53% in FY23. 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. 74.06 Crores as on Oct 2023 to be executed in FY24. 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. Due to the increase in demand from African countries, exports have improved from 37.16% in FY 22 to 42.26% during FY 23.



## Press Release

### **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 income of Rs 998.80 crores in FY23 when compared to Rs 795.50 Crores in FY22 and Rs 703.80 Crores in FY21. Profitability of the company has increased in last couple of years with PAT margin improving to 1.28% in FY23 from 1.13% in FY22. Also, gross cash accruals has increased from Rs 15.01 Crores in FY22 to Rs 16.25 Crores in FY23. 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.

### **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.**

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 3.21% and PAT of 1.28% for FY23.

#### **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



## Press Release

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](#)

### **Liquidity – Adequate**

The company has generated a cash accrual of Rs. 19.75 Crores in FY24 against the debt repayment obligations of Rs 7.55 Crore. Further, the company liquidity position is adequate marked by sufficient cushion in expected accruals vis-à-vis its repayment obligations in FY24. Average Utilization of bank limits for last 12 months ended October 2023 stood at ~85.78% indicating limited buffer to meet incremental requirements. Further, company reported cash and cash equivalents of Rs.0.72 Crores as on March 31, 2023. The Current Ratio stood at 1.28x as on March 31, 2023. All these factors reflect adequate liquidity position of the company.

### **About the Company**

Sree Murali Mohana Boiled and Raw Rice Mill Pvt Ltd ('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



## Press Release

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	31-03-2022	31-03-2023
	<b>Audited</b>	<b>Audited</b>
Total Income	795.50	998.80
EBITDA	31.63	32.08
PAT	9.00	12.87
Total Debt	167.34	204.37
Tangible Networth	84.33	94.44
EBITDA Margin	3.98%	3.21%
PAT Margin	1.13%	1.28%
Overall Gearing ratio	1.98x	2.16x

**Status of non-cooperation with previous CRA: Nil**

**Any other information:** Not Applicable

### Rating History for last three years:

Sr. No.	Type of Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Tenure	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 Dated : Dec 27, 2022	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Term Loan (Including Proposed Loan of Rs. 0.89 Crore)	Long Term	47.00	IVR BBB+/Negative (IVR Triple B Plus; with Negative Outlook)	IVR BBB+/Stable (IVR Triple B Plus; with Stable Outlook)	-	-



## Press Release

Sr. No.	Type of Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Tenure	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 Dated : Dec 27, 2022	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
2	Cash Credit	Long Term	145.00	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 A2	-	-

### Name and Contact Details of the Rating Analyst:

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### 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.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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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+/Negative (IVR Triple B Plus; with Negative Outlook)
Term Loan	-	-	July 2019 – Oct 2024	2.10	IVR BBB+/Negative (IVR Triple B Plus; with Negative Outlook)
Term Loan	-	-	Yet to be started	37.50	IVR BBB+/Negative (IVR Triple B Plus; with Negative Outlook)
Term Loan (Proposed)	-	-	-	0.89	IVR BBB+/Negative (IVR Triple B Plus; with Negative Outlook)
Cash Credit	-	-	-	145.00	IVR BBB+/Negative



## Press Release

					(IVR Triple B Plus; with Negative Outlook)
PCFC	-	-	-	100.00	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-MurliMohanaBoiled-5feb24.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 [Complexity Level of Rated Instruments/Facilities](#).