



Rating Rationale

Sri R. K. Modern Rice Mill

11th August 2017

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of Rs.18.29 Crs of Sri R. K. Modern Rice Mill.

Particulars

| Facility Rated | Amount (Rs. Crs) | | Tenure | Rating * | |
|------------------------|---------------------|--------------|---|----------|--|
| | Previous | Present | | Previous | Present |
| Fund Based Cash Credit | 18.00 | 18.00 | Long Term | BWR BB+ | BWR BB+ (BWR Double B Plus) (Outlook : Stable) Re-affirmation |
| Fund Based Term Loan | 0.60 | 0.29 | | | |
| Total | 18.60 | 18.29 | INR Eighteen Crores and Twenty Nine Lakhs Only | | |

* Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rating Long Term Reaffirmed

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has primarily relied upon the provisional audited up-to FY17, projections upto FY19, publicly available information and the information/clarifications provided by the firm.

The rating draws strength from the partners' experience in rice mill industry, established relationship with customers and suppliers and long existence of the firm. However, the ratings are constrained by low networth, high leverage, reduced net profitability margins, working capital nature of operations, inherent risk of the constitution of the firm being a partnership and cyclicity inherent in the rice milling industry.

Going forward, the ability of the firm to increase its scale of operations to improve profitability, improve the capital structure by infusing the fund, adaptability to overcome an adverse effects



with the industry in a competitive environment and servicing debt obligations promptly will be the key rating sensitivities.

Rating Outlook: Stable

BWR believes the **Sri R. K. Modern Rice Mill** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

Sri R K Modern Rice Mill was established in the year 1998 to produce a range of rice varieties. It is located at Nizamabad, Andhra Pradesh. The firm is named after the founder of the business – Sri Ramnivasji, who was into trade of rice and rice bran since 1978. His sons Mr. Pavan Kedia and Mr. Susheel Kedia are the equal sharing partners of the firm. The firm has Installed capacity of 25 tonns / hour with an utilization of 60% . The firm has group firm named KL Commercial, promoted by Mr. Praveen Kumar Kedia, trading in rice bran, oil seeds and oil cakes.

Firm Financial Performance

The firm reported a net revenue from operations of Rs.151.14 Crores in FY16 and Rs.164.73 Crores in FY17. Operating and net profit margins reported at 2.08% and 0.43% in FY17 as against 2.39% and 0.46% in FY16. Tangible networth of the firm is reported at 10.44 Crs in FY17. The company is reported high gearing level reflected from debt equity of 2.55X in FY17. Debt Coverage indicate at satisfactory level reflected by ISCR of 1.40 times and DSCR of 1.22 times in FY17. The company is reported to high debt reflected by total debt of Rs. 26.64 Crs in FY17.

Rating History for the last three years

| Sl. No. | Instrument/ Facility | Current Rating (Year 2017) | | | Rating History | | |
|---------|-------------------------|------------------------------------|--------------------|---------|----------------|----------|----------|
| | | Type (Long Term/ Short Term) | Amount (Rs Crs) | Rating | 05/10/16 | 06/07/15 | 29/04/14 |
| 1 | Cash Credit | Long Term | 18.00 | BWR BB+ | BWR BB+ | BWR BB+ | BWR BB+ |
| 2 | Term Loan | | 0.29 | | | | |



Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)

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Annexure

| Key Parmaters | FY15 (Audited) | FY16 (Audited) | FY17 (Audited) |
|--------------------------------|----------------|----------------|----------------|
| Net Sales | 166.75 | 151.14 | 164.73 |
| EBITDA | 3.66 | 3.61 | 3.42 |
| PAT | 0.72 | 0.69 | 0.71 |
| Tangible Networkth | 9.25 | 10.61 | 10.44 |
| Total Debt: Tangible Networkth | 2.91 | 2.45 | 2.55 |
| Current Ratio | 1.25 | 1.35 | 1.26 |

For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the



Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

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