



RATING RATIONALE

23 July 2020

Baba Naga Rice & General Mills

Brickwork Ratings downgrades the long term rating for the Bank Loan Facilities of ₹ 8.00 Crores of Baba Naga Rice & General Mills “the company”

Particulars:

Facility**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (May, 2019)	Present
Fund Based	8.00	8.00	Long Term	BWR B+ Stable (Assigned)	BWR D
Total	8.00	8.00	INR Eight Crores Only		

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

** Details of Bank facilities is provided in Annexure-I

RATING ACTION / OUTLOOK

BWR downgrades the Long Term Rating assigned to Baba Naga Rice & General Mills as BWR D.

The rating draws strength from the rich experience of the management of the firm in the rice milling business. The rating of the firm is constrained by the average financial risk profile of the firm, competition in the industry and Banker’s Feedback concerning the conduct of the account.

BWR believes that the business risk profile of “Baba Naga Rice & General Mills” 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 there is significant improvement in revenues, financial risk profile and overall conduct of the company. The rating outlook may be revised to “Negative” if there is any deterioration in the financial risk profile and irregularities in the bank account continues.

KEY RATING DRIVERS

Credit Strengths:

- **Experience of the management:** The firm was established in 1983 and it is promoted by partners of the firm namely Mrs. Sureshta Rani having an experience of about 3 decades & Mr. Sourav & Mrs. Anchal Chadha having an experience of about a decade in the rice milling industry.

Credit risks:



- **Average Financial Risk Profile:** The total operating income although increased from INR 64.95 Crores in FY17 to INR 83.96 Crores in FY18 but it has shown a significant drop next year as it reduced to INR 52.24 Crores in FY19. The profits also reduced almost 50% from INR 0.58 Crores in FY18 to INR 0.26 Crores in FY19. The tangible networth is at a lower level being at INR 3.73 Crores in FY19 vis-a-vis Previous year resulting into the Total Debt/TNW ratio being at 3.42x in FY19 (Analysed at 2.58x in FY19).
- **Competition in the Industry:** Entry barriers in the industry are low on account of limited capital and technology requirement and also low differentiation in the end product leading to intense competition and limiting the pricing power resulting in low profitability.
- **Banker's Feedback:** As communicated by the banker, the conduct of the account is not satisfactory, there have been over drawings in the account, the facility is fully utilised and it has been reported in SMA category as SMA-1.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

Going forward, the ability of the Firm to improve its revenues and financial risk profile would remain the key rating sensitivities.

Positive: Rating may be upgraded in case of substantial improvement in revenues, financial risk profile of the company, conduct of the account.

Negative: Rating may be downgraded in case there is deterioration in financial risk profile and continued irregularities in the conduct of the account.

LIQUIDITY POSITION (Stretched)

The company has Cash & Bank balances of Rs. 0.13 Crs in FY19. Long Term Borrowings of INR 4.64 Crores in FY19 includes Loans from Friends/Family of INR 1.73 Crores and Loan from ICICI Bank Limited of INR 2.91 Crores in FY19. Average CC utilization cannot be determined as the client has not submitted complete statements for the last six months. The current ratio is 1.41x in FY19. ISCR and DSCR are at 1.25x and 0.97x respectively in FY19. Conversion Cycle is 99 days in FY19.

Holding/Subsidiary Company: NA

COMPANY PROFILE

Established in 1983, Baba Naga Rice & General Mills (BNRGM) is a partnership concern which is engaged in milling & processing of basmati rice. It is located in Amritsar, Punjab. It is promoted by Mrs. Sureshta Rani having an experience of about 3 decades & Mr.Sourav & Mrs. Anchal Chadha having an experience of about a decade in the rice milling industry. The firm procures paddy from local mandis in



Amritsar, Punjab. They sell basmati rice to various exporters located in Jammu & Kashmir, Maharashtra, Andhra Pradesh, Rajasthan & Delhi. BNRGM has an installed capacity of around 12 tonnes per hour, of which the capacity utilisation is full.

KEY FINANCIAL INDICATORS (in ₹ Cr)

Key Parameters	Units	FY19	FY18
Result Type		Audited	Audited
Total Operating Income	Crores	52.26	83.96
EBITDA	Crores	2.39	3.19
PAT	Crores	0.26	0.58
Tangible Networkth	Crores	3.73	3.59
Total Debt/TNW	Times	3.42	7.81
Current Ratio	Times	1.41	1.15

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: None

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY: None

RATING HISTORY (FOR THE LAST THREE YEARS INCLUDING WITHDRAWALS AND SUSPENDED)

Instrument / Facilities	Current Rating (2020)			Rating History		
	Tenure (Long Term/ Short Term)	Amount (₹ Cr)	Rating	May, 2019	2018	2017
Fund Based	Long Term	8.00	BWR D	BWR B+ Stable (Assigned)	--	--
Total	8.00		INR Eight Crores Only			

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

[General Criteria](#)

[Approach to financial ratios](#)

Analytical Contacts	Investor and Media Relations
<p>Arushi Jain Rating Analyst Board: +91 11 2341 2232 Ext: 111 arushi.j@brickworkrating.com</p> <p>V. K. Kukreja Associate Director – Ratings Board: +91 11 2341 2232 kukreja.vk@brickworkratings.com</p>	<p>Liena Thakur Assistant Vice President - Corporate Communications +91 84339 94686 liena.t@brickworkratings.com</p>

Baba Naga Rice & General Mills

ANNEXURE I

Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
1.	Punjab National Bank	Fund Based	8.00	--	8.00
TOTAL					8.00

Total Rupees Eight Crores only.



For print and digital media The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

About Brickwork Ratings :Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, 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 leading public sector 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, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

DISCLAIMER Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons