

**Rating Rationale**

**Modern Rice & Gen. Mills**

**Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹ 19.50 Crores of Modern Rice & Gen. Mills.**

**Particulars**

Facility	Amount (₹ Crs)	Tenure	Rating*
<b>Fund based:</b>			
Cash Credit 1	17.00	Long Term	BWR BB- (Pronounced as BWR Double B minus) Outlook: Stable
Cash Credit 2 (PCL-Running; Interchangeable with CC)	4.50		
Cash Credit 3 (FOBNLC/FOUBNLC/FOBP/F OUBP within PCL)	3.00		
<b>Total (Commitment /Ceiling)</b>	<b>19.50</b>	<b>INR Only</b>	<b>INR Nineteen Crores Fifty Lakhs Only</b>

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

**Rating Assigned:**

BWR has assigned Long Term Rating of BWR BB- (Outlook: Stable) for the bank loan facilities for Modern Rice & Gen. Mills (The company)

**Rationale/Description of Key Rating Drivers/Rating sensitivities:**

BWR has essentially relied upon the audited financial statements of the company upto FY18 and, publicly available information and information/clarifications provided by the management.

The rating draws strength from the experienced partners along with long track record of operations and favorable location of plant. The rating however is constrained by low profitability margins, high gearing



ratio, working capital intensive nature of operations, susceptibility to fluctuation in raw material prices and partnership nature of constitution.

#### Description of Key Rating Drivers

##### Credit Strengths:

- ❑ **Experience of the proprietor and the management:** The rating reflects the extensive experience of Modern Rice Mills partners in the rice industry, along with timely funding support extended by them to cover the working capital requirements.
- ❑ **Locational Advantages:** The company is located in Karnal, Haryana which is one of the leading producers of Rice in India.

##### Credit Risks:

- ❑ **Highly competitive and fragmented industry with Government regulations affecting Profitability:**  
Low industry barriers makes the industry highly fragmented and competitive. Further, vagaries of Agro industry and High government regulations over Fixed Minimum Support price which in turn limits profitability.
- ❑ **Thin Profitability Margins:** The profitability margins remains low as indicated by Operating profit margin at 3.33% in FY 18 as compared to 3.76% in FY 17. Also, Net profit margins hasn't showed much growth and remained almost stagnant at 0.44% in FY 18 as against 0.43% in FY 17
- ❑ **High Financial risk profile** i.e. Gearing ratio, **(TOL/TNW)** at 4.57X in FY 18, and **(Total Debt/TNW)** at 4.94X in FY 18.

#### Analytical Approach

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).



### **Liquidity Profile:**

The company has Cash & Bank balances of Rs. 0.03 Crs in FY 18, Long-term borrowings of INR 3.65 crores includes Unsecured Loans from related parties, The Cash Credit utilization of the last 6 months was around ~30%, The current ratio stood at 1.33 times in FY 18. ISCR and DSCR is at 1.11X and 1.02X in FY 18. NP/OPM is at 0.44% and 3.33% respectively in FY 18. Conversion Cycle is at 133 days in FY 18 largely due to higher inventory holding.

**Holding/Subsidiary Company: NA**

### **Rating Outlook: *Stable/Positive/Negative***

BWR believes the **Modern Rice & Gen. Mills** 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**

Modern Rice & General Mills (MRG) was established in April 1981 as a partnership firm and is currently being managed by Mr. Vinod Kumar Malik and Mr. Dev Raj Malik, The firm is engaged in processing of paddy at its manufacturing facility located in Karnal, Haryana with an installed capacity of processing 56 MT per annum in FY 18. The firm also exports rice to various companies based in United Arab Emirates (UAE), East Africa, etc and has current exports sales of (income from exports constituted ~10.80 crores of the total sales in FY18). The firm is also engaged in the trading of chocolate and wheat flour (income from trading constituted ~5.20 crores of the total sales in FY18).

### **Company Financial Performance**

The company projected a total operating income of Rs. 78.18 Crs. in FY 18 with PAT of Rs. 0.34 Crs. as compared to total operating income of Rs. 78.75 Crs. in FY 17 with PAT of Rs. 0.34 Crs.

**Key Financial Indicators**

Key Parameters	Units	2018	2017
Operating Revenue	₹ Cr	78.18	78.75
EBITDA	₹ Cr	2.60	2.96
PAT	₹ Cr	0.34	0.34
Tangible Net worth	₹ Cr	4.62	4.37
Total Debt/Tangible Net worth	Times	4.94	6.42
Current Ratio	Times	1.33	1.25

**Rating History for the last three years**

S.No	Instrument /Facility	Current Rating			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2017	2016	2015
	<b>Fund Based</b>						
	<b>Cash Credit 1</b>	Long Term	17.00	<b>BWR BB- Pronounced as BWR Double B minus</b>			
	<b>Cash Credit 2 (PCL-Running; Interchangeable with CC)</b>		4.50				
	<b>Cash Credit 3 (FOBNLC/FOU BNLC/FOBP/FOUBP; within PCL)</b>		3.00				
	<b>Total (Commitment/Ceiling)</b>		<b>19.50</b>		<b>₹ Nineteen Crores Fifty Lakhs Only</b>		



Status of non-cooperation with previous CRA (if applicable)-Reason and comments

Any other information

### Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Short Term Debt](#)
- [https://www.brickworkratings.com/download/Criteria\\_ManufacturingCompanies.pdf](https://www.brickworkratings.com/download/Criteria_ManufacturingCompanies.pdf)

For any other criteria obtain hyperlinks from website

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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](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).

#### 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.



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