



Rating Rationale

Nil Kamal Modern Rice Mill (NKMRM)

16 Jan 2019

Brickwork Ratings assigns the long term rating and short term rating for the Bank Loan Facilities of Rs.6.31 Crs of Nil Kamal Modern Rice Mill (NKMRM).

Particulars

Facility Rated	Amount (Rs. Crs)	Tenure	Rating*
Fund Based: Cash Credit Term Loan**	3.50 2.41	Long Term	BWR B+ (Pronounced as BWR single B Plus) Outlook: Stable
Non Fund Based: Bank Guarantee	0.40	Short Term	BWR A4 (Pronounced as BWR single A Four)
Total	6.31	INR Six Crores and Thirty one Lakhs Only	

** Term Loan outstanding as on 31st October, 2018.

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

Rating: Long Term and Short Term Rating Assigned

Brickwork Ratings assigned the long term rating of 'BWR B+' with "Outlook:Stable" and short term rating of 'BWR A4 'to the bank loan facilities aggregating Rs.6.31 Crores of Nil Kamal Modern Rice Mill.

Rationale/Description of Key Rating Drivers/Rating sensitivities:

The rating has inter alia, factored Promoter's extensive experience of over decade in trading of rice & operating Rice mill, Proximity of the unit to raw materials & suppliers and favourable demand prospects of the industry. However, the rating is constrained by limited track record & moderate scale of operations, low financials risk profile, Intense competition in food processing industry, working capital intensive nature of operations and susceptibility of raw material availability to agro-climatic conditions. Going forward, ability of the firm to scale up its operations, to improve its profit margins and to maintain its gearing in an intensely competitive industry will remain the key rating sensitivities.

Rating Outlook: Stable

BWR believes that the business risk profile of Nil Kamal Modern Rice Mill 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.

Analytical Approach :

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

Key Rating Drivers:

Credit Strengths:

- **Experienced management:**The promoters of the firm Mr.Nil Kamal Kundu and Ms. Sipra Kundu have more than decade of experience in trading of rice & operating rice milling business.
- **Proximity to Raw materials & Suppliers:**The firm has established its operations in Rajganj of West Bengal which has proximity to paddy procurement from suppliers and selling rice to various customers.
- **Favourable demand prospects of the industry:** The demand prospects of rice are expected to remain Stable, as rice and rice-based products form an essential ingredient of Indian diet.

Credit Weaknesses :

- **Low scale of operations:**The scale of operations of the firm remained low marked by total operating income of Rs.19.72 crore with a PAT of Rs.0.28 crore in FY18. The Firm has limited track record as it was established in 2014 and the commercial operations started in 2017.
- **Moderate Financial risk profile:** The low financial risk profile of the firm is marked by low scale of operations, low networth base and moderate debt coverage indicators.The networth of the firm stood at Rs.3.88 crore as on 31st March, 2018.The Firm has reported net profit margin of 1.44% and operating profit margin of 12.09 % in FY18. The interest coverage ratio (ISCR) and debt service coverage ratio (DSCR) of the firm stood at 1.69 times and 1.26 times respectively in FY18.
- **Geographic concentration:**The Firm's revenue is majorly concentrated in the state of West Bengal.
- **Intense competition prevailing in the industry keeps margins under check:** The intense competition prevailing in rice-milling industry as characterised by presence of a large number players along with low value-additive nature of operations, limits the firm's pricing flexibility and keeps the profit margins under check.
- **Susceptibility of raw material availability to agro-climatic conditions:**The Rice-milling industry is exposed to agro climatic risks which might affect the availability of paddy in adverse weather conditions.

About the Firm:

Nil Kamal Modern Rice Mill (NKMRM) is a Rajganj, West Bengal based partnership firm

promoted by Mr. Nil Kamal Kundu, Ms. Sipra Kundu (Wife of Mr. Nil Kamal Kundu) along with family members in 2014. However, the commercial operations of the firm started in 2017. NKMRM engaged in operating a rice mill and mainly produces various types of parboiled rice. The manufacturing facility is located in Rajganj of West Bengal with an installed capacity to process around ~5 tons of rice per day.

Firm’s Financial Performance:

The firm has registered total operating income of Rs.19.72 Cr in FY18 with a PAT of Rs.0.28 crore in FY18. The Tangible net worth of the firm stood at Rs. 3.88 Cr as on 31st March, 2018. The Firm has reported Operating profit of Rs.2.38 Crs and Net profit of Rs.0.28 Crs in FY18.

Parameters	31-Mar-2018
	(Audited)
Total Operating Income (Rs. Crores)	19.72
EBITDA (Rs. Crores)	2.38
PAT (Rs. Crores)	0.28
Tangible Net Worth (TNW) (Rs. Crores)	3.88
Total Debt : TNW (Times)	6.34
Current Ratio (Times)	1.11

Rating History for the last three years: (including withdrawn/suspended ratings)

Sl. No.	Instrument/ Facility	Current Rating (2018)			Rating History		
		Type	Amount (Rs. Crs)	Rating	2017	2016	2015
1	Cash Credit Term Loan*	Long Term	3.50	BWR B+ (Pronounced as BWR B Plus) Outlook: Stable	Nil	Nil	Nil
			2.41				
2	Bank Guarantee	Short Term	0.40	BWR A4 (Pronounced as BWR A Four)			
Total			6.31	INR Six Crores and Thirty one Lakhs Only			

* Term Loan outstanding as on 31st October, 2018.

Hyperlink/Reference to applicable Criteria



- [General Criteria](#)
- [Short Term Debt](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Company](#)

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 Investors queries can be sent to 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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