

Rating Rationale

R. R. Industries

27 October 2017

Brickwork Ratings assigns BWR B+ for the Bank Loan Facilities of Rs. 6.17 Crs of R. R. Industries ('RRI' or 'the Firm')

Particulars

Facility *	Amount (Rs. Crs)	Tenure	Rating^
<u>Fund Based</u> Overdraft	5.00	Long Term	BWR B+ (Pronounced as BWR B Plus) Outlook: Stable
Term Loan	1.17**		
Total	6.17 (INR Six Crores Seventeen Lakh Only)		

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

*Annexure-I provides details of bank wise facilities

** Outstanding as on October 4, 2017

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financial results of the Firm upto FY17, projected financial statements upto FY19, publicly available information and information/clarifications provided by the management.

The rating draws strength from the experienced partners and established track record. The rating, however, is constrained by the small scale of operations, weak financial risk profile marked by low capital, high gearing and thin profitability, exposure to agro climatic risks and intense competition prevalent in the industry.

Going forward, the ability of the Firm to increase its scale of operations, improve its overall credit profile and manage its working capital efficiently would be the key rating sensitivities.

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)

Key Rating drivers

Credit strengths

- **Experienced partners and established track record**

RRI's partners have 9 years of experience in rice milling and they have been engaged in trading of rice for more than two decades.

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Credit Weaknesses

- **Small scale of operations**

In FY17, RRI reported total sales and PAT of Rs. 24.00 Crs and Rs.0.08 Crs.

- **Weak financial risk profile marked by low capital, high gearing and thin profitability**

RRI's overall gearing stood high at 2.99 times as on March 31 2017 as against 3.64 times as on March 31 2016. Due to the low value additive nature of the business, its net profit margin was low at 0.33% in FY17 vis-à-vis 0.27% in FY16. ISCR for FY17 also declined to 1.59 times as against 1.89 times for FY16. Partners' capital was low at 2.48 Crs.

- **Agro Climatic risks and intense competition in a highly fragmented industry**

The availability of raw materials and fluctuation in the prices of these raw materials, which are impacted by agro climatic conditions, are the key determinants of profitability. The Firm faces stiff competition from established players as well as large number of players in the unorganised sector, which limits its pricing flexibility and bargaining power with customers, thereby putting pressure on its revenues and margins.

Rating Outlook: Stable

BWR believes RRI's 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 margins show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and margins show lower than expected figures.

Firm Background:

R. R. Industries (RRI) is a Kashipur, Uttarakhand based partnership firm established in 2009. The firm is owned and managed by Agarwal family, with the partners being Mr. Sachin Agarwal, Mr. Anubhav Agarwal, Mr. Gaurav Agarwal and Mr. Ashok Agarwal. The firm is engaged in the milling of rice at its plant located in Kashipur, Uttarakhand. (Common Rice, Basmati Rice, Parmal Rice). It has an installed capacity of 8 Metric Tonnes Per Hour (MTPH) and 3 MTPH for sorting. The major customers of RRI are Food Corporation of India (FCI) and the traders located in Uttarakhand and Delhi.

Financial Performance

During FY17, RRI reported sales of Rs.24.00 Crs and PAT of Rs.0.08 Crs as against sales of Rs.11.01 Crs and PAT of Rs.0.03 Crs in FY16. The Firm's current ratio stood at 1.40 times as March 31, 2017.

Key financial indicators are furnished in Annexure II.

Rating History for the last three years:

Sl. No.	Instrument / Facility	Current Rating (September 2017)			Rating History		
		Type	Amount (Rs. Crs)	Rating	2016	2015	2014
1	Cash Credit	Long Term	5.00	BWR B+ (Outlook : Stable) Assigned	N/A	N/A	N/A
2	Term Loan		1.17*				
	Total	6.17		INR Six Crores Seventeen Lakh only			

* Outstanding as on October 4, 2017

Status of Non cooperation with other CRA : Not Applicable

Any other information : Not applicable.

Hyperlink/Reference to applicable Criteria

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

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R. R. Industries **Annexure I** **Details of Rated Bank Facilities**

Bank	Facilities	FB/NFB & ST/LT	Rated Amount (Rs Crs)
Punjab National Bank, BO:ADB, Kashipur, Uttarakhand	Cash Credit	FB-LT	5.00
	Term Loan		1.17*
	Total		6.17

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* Outstanding as on October 4, 2017

Annexure II Key Financial Indicators

Particulars		FY16	FY17
Sales	(Rs. Cr)	11.01	24.00
EBITDA	(Rs. Cr)	1.08	1.37
PAT	(Rs. Cr)	0.03	0.08
Partner's Capital	(Rs. Cr)	1.97	2.48
Total Debt: PC	(Times)	3.64	2.99
Current Ratio	(Times)	1.25	1.40

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

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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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