



Rating Rationale

R S K Rice Mill

19 June 2019

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 5.51 Crores of R S K Rice Mill.

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based: Cash Credit Term Loan	4.50	Long Term	BWR BB- (Pronounced as BWR Double B minus) Outlook: Stable
	0.81		
Non Fund Based: Bank Guarantee	0.20	Short Term	BWR A4 (Pronounced as BWR A Four)
Total	5.51	INR Five Crore and Fifty One Lakhs Only	

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

Ratings assigned:

Brickwork Ratings assigned the long term rating of 'BWR BB-' with "Outlook: Stable" and short term rating of 'BWR A4' to the bank loan facilities aggregating to Rs. 5.51 Crores of R S K Rice Mills. ('RSKRM' or 'the 'Firm').

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financials of FY18 and provisional financials of FY19, publicly available information and information/clarifications provided by the management of the firm.

The ratings draw strength from substantially growing revenues of the firm, ability to meet debt obligations, favourable demand prospects of the industry and locational advantage of the unit. However, the rating is constrained by Government regulatory changes, agro climatic risk and intense competition in the industry. Going forward, the ability of the Company to improve its scale of operations, to improve its profitability and to service its debt obligations on time would be the key rating sensitivities.

Description of Key Rating Drivers

Credit Strengths:

- **Locational Advantage:** The Firm is located in Raiganj cluster and thus has a competitive advantage in terms of skilled labor, logistics, production knowledge and vendors making the firm more efficient and cost effective.
- **Debt Protection Metrics:** DSCR and ISCR of the firm stand at 1.48 and 1.89 respectively in FY 18 indicating firms's adequacy to meet its debt obligations
- **Growth in revenue:** The firm's revenue from operations has grown substantially by 42.07 % in the FY 18
- **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 Risks:

- **Regulatory Risk:** The industry is highly regulated by the government. Any changes in existing regulatory framework/ environment may adversely affect the profitability of the firm.
- **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.
- **Agro Climatic Risks:** Paddy being an agricultural commodity, its availability and prices depends on agro climatic conditions which might get affected in adverse weather conditions.

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).

Rating Outlook: *Stable*

BWR believes that **R S K Rice Mill'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 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 Firm:

R.S.K. Rice Mill is a partnership firm established in 2013 with the main objective of setting up a rice mill. The installed capacity of the rice mill is 144 metric tonnes per day and utilised capacity is 104 metric tonnes per day. The firm is engaged in the manufacture of rice, broken rice and bran which are sold in packages of 25 Kg and 50 kg. The facility is located in Uttar Dinajpur, West Bengal and the operations of the unit are managed by the partners of the firm.

Firm’s Financial Performance

As per the audited financials of FY 18, the firm has reported total operating income of Rs. 20.64 crores against Rs.14.53 crores in FY 17. The net profit margin has improved from 0.71% in FY 17 to 0.86% in FY 18. Tangible Net Worth of the firm stood at Rs. 4.41 crores in FY 18 as against Rs. 3.48 crores in FY 17.

On provisional basis , the firm has achieved a revenue of Rs 21.06 crs in FY19.

Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		(Audited)	(Audited)
Operating Revenue	₹ Cr	20.73	14.74
EBITDA	₹ Cr	1.47	1.20
PAT	₹ Cr	0.18	0.10
Tangible Net worth	₹ Cr	4.41	3.48
Total Debt/Tangible Net worth	Times	1.14	0.87
Current Ratio	Times	1.41	1.57



Rating History for the last three years

S.No	Instrument /Facility	Current Rating(2019)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2018	2017	2016
1.	Fund Based	Long Term	5.31	BWR BB- (Pronounced as BWR Double B minus) Outlook : Stable	NA	NA	NA
2.	Non Fund Based	Short Term	0.20	BWR A4 (Pronounced as BWR A Four)	NA	NA	NA
	Total		5.51	₹ Five Crore and Fifty One Lakhs Only			

Status of non-cooperation with previous CRA (if applicable): CRISIL has moved the rating of R S K Rice Mill to “ISSUER NOT CO-OPERATING” category on 28-December-2018 due to non-submission of information.

Hyperlink/Reference to applicable Criteria

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



For any other criteria obtain hyperlinks from website

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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, 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

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