



Rating Rationale

Sarvashiva Rice Mill Pvt. Ltd.

4 Mar 2019

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 7.35 Crores of Sarvashiva Rice Mill Pvt. Ltd.

Particulars

| Facility | Amount (₹ Crs) | Tenure | Rating* |
|--|----------------------------|--|---|
| Fund based: Term Loan Cash Credit | 4.77 2.31 | Long Term | BWR B (Pronounced as BWR Single B) Outlook: Stable |
| Non Fund Based: Bank Guarantee | 0.27 | Short Term | BWR A4 (Pronounced as BWR A Four) |
| Total | 7.35 | INR Seven Crores and Thirty Five Lakhs Only | |

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

Rating under Credit Watch with Positive / Negative / Developing implications: NA

Rating Assigned:

Brickwork Ratings assigns the Long Term rating of *BWR B (Outlook: Stable)* and Short Term rating of *BWR A4* for the aggregate bank loan facilities amounting to ₹ 7.35 crores of Sarvashiva Rice Mill Pvt. Ltd. (SRMPL or 'the Company')

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financials of FY18, projected financials of FY19 and FY20, publicly available information and information/clarifications provided by the Company's management. The ratings have factored, inter alia, locational advantage of the rice mill, business experience of the Promoters and favourable demand prospects of rice milling industry. However, the ratings are constrained by its nascent stage of operations, low net worth, susceptibility to vagaries of weather conditions, regulatory risk and intense competition from established players in the industry.

Going Forward, ability of the Company to improve its scale of operations, to improve its profitability by managing its working capital efficiently and to service its debt obligations on time would be the key rating sensitivities.

Description of Key Rating Drivers

Credit Strengths:

- **Locational Advantage:** SRMPL is located in Alipurduar cluster and thus has a competitive advantage in terms of availability of skilled labour, logistics, production knowledge and vendors making the operations more efficient and cost effective.
- **Favourable demand prospects:** India being the second largest producer and consumer of rice globally, rice milling industry has favourable demand prospects.
- **Business experience of the Promoters:** The Promoter-Directors have business experience of more than 10 years.

Credit Risks:

- **Nascent Stage of operations:** The operations of the Company are at a nascent stage. Commercial operations have started recently in October 2018.
- **Networth:** Low net worth of the Company at Rs.1.58 Crores in FY18 resulting in high gearing.
- **Susceptibility to vagaries of weather conditions:** Availability of Raw Material i.e. paddy is dependent on monsoon and climatic conditions.
- **Regulatory Risk:** The industry is highly regulated by the government. Any changes in existing regulatory framework/ environment may adversely affect the profitability of the Company.
- **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

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 **Sarvashiva Rice Mill Pvt. Ltd'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 Company:

Established in 2018, SRMPL is based in Tapsikhata Village, Alipurduar (WB). It is engaged in processing of paddy into non-basmati parboiled rice, broken rice, rice bran and husk. Plant is set up at Tapsikhata Village (Alipurduar), West Bengal on an area of around 2 acres, having installed capacity of 24000 MTPA.

The Directors of the Company are Mr. Shibraj Dutta and Mrs. Sharmistha Datta.



Company’s Financial Performance:

Commercial operations of the Company started in October 2018. Tangible Net worth of the Company stood at Rs. 1.58 Crores as on 31.03.2018.

Key Financial Indicators

| Key Parameters | Units | 2018 |
|-------------------------------|-------|----------------|
| Result Type | | Audited |
| Operating Revenue | ₹ Cr | 0.00 |
| EBITDA | ₹ Cr | (0.01) |
| PAT | ₹ Cr | (0.01) |
| Tangible Net worth | ₹ Cr | 1.58 |
| Total Debt/Tangible Net worth | Times | 1.93 |
| Current Ratio | Times | 4.57 |

Rating History for the last three years

| S.No | Facility | Current Rating (2019) | | | Rating History | | |
|------|-----------------------|-----------------------|----------------|---|----------------|------|------|
| | | Type | Amount (₹ Crs) | Rating | 2018 | 2017 | 2016 |
| 1. | Fund Based | Long Term | 7.08 | BWR B (Pronounced as BWR Single B) Outlook: Stable | NA | NA | NA |
| 2. | Non Fund Based | Short Term | 0.27 | BWR A4 (Pronounced as BWR A Four) | NA | NA | NA |
| | Total | | 7.35 | ₹ Seven Crores and Thirty Five Lakhs Only | | | |

Status of non-cooperation with previous CRA (if applicable)-NA

Hyperlink/Reference to applicable Criteria

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



- [Short Term Debt](#)

| Analytical Contacts | 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.

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