



Rating Rationale

V.P.N. Raw & Boiled Rice Mill

07 May 2019

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹9.00 Crores of V.P.N. Raw & Boiled Rice Mill.(V.P.N.R&BRM)

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating Recommended
Fund Based Cash Credit	9.00	Long Term	BWR B+ (Pronounced as BWR Single B plus) (Outlook: Stable)
Total	9.00	₹ Nine Crores Only	

Ratings :Assigned

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financial results up to FY18, projected financials FY19 and FY20, publicly available information and information/clarifications provided by the firm's management.

The rating has factored, inter alia, long existence of the firm in rice milling business, increased scale of operations, adequate liquidity position and locational advantages. However, the rating is constrained by small scale of operations, intense competition, low profitability margins, and agro climatic risks.

Going forward, the ability of the Firm to increase its scale of operations, to improve its profitability margins, to increase its net worth by infusing own funds and to service its debt obligations on time would be the key rating sensitivities.

Description of Key Rating Drivers

Credit Strengths:

- Partners are having 2 decades of experience with established track record of entity.
- Operating Income of the Firm has increased from ₹16.11 Crs in FY17 to ₹20.24 Crs in FY18.
- Adequate liquidity position Shown by 1.35 times current ratio in FY18.
- The demand of rice is high in the Indian food industry as it is consumed as staple food.

Credit Risks:

- Small scale of operations.
- Net profit margin of the Firm has decreased from 0.31% in FY17 to 0.25% in FY18 .
- Low interest servicing ratio of 1.11x times in FY18.
- Paddy is an agricultural commodity and is a seasonal crop.
- Dependence on monsoon and or irrigation is high. Also, the rice industry is regulated in terms of paddy price, export/import of rice, and rice release mechanism.
- Minimum support price of paddy and prevailing rice price are key determinants of a rice mill 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 the **V.P.N. Raw & Boiled Rice Mill** 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

V P N Raw And Boiled Rice Mill (VPNR&BRM) was established and promoted by Mr. Pullaiah Verepalli & Ms. Ammani Veerepalli as a partnership firm in the year 2007. The Firm is into rice milling with the installed capacity of 24 MT per annum.VPNR&BRM is procuring Paddy from the farmers located in and around Nellore.

Company Financial Performance

Operating Income of the Firm has increased from ₹16.11 Crs in FY17 to ₹20.24 Crs in FY18. PAT of the Firm stood same at ₹0.05 Crs in FY18. Net worth stood at ₹3.00 Crs as on 31st Mar 2018.

Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		Audited	Audited
Operating Revenue	In ₹ Cr	20.24	16.10
EBITDA	In ₹ Cr	0.68	0.53
PAT	In ₹ Cr	0.05	0.05
Tangible Net worth	In ₹ Cr	3.00	2.45



Total Debt/Tangible Net worth	Times	2.20	2.07
Current Ratio	Times	1.35	1.44

Rating History for the last three years

S.No	Facility	Current Rating			Rating History		
		Type	Amount (₹ Crs)	Rating	2018	2017	2016
1.	Fund Based Cash Credit	Long Term	9.00	BWR B+ (Pronounced as BWR Single B plus) (Outlook: Stable)	Not Rated		
	Total		9.00	₹ Nine Crores Only			

Status of non-cooperation with previous CRA:NA

Any other information:NA

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratio](#)
- [Manufacturing Companies](#)
- [Short Term Debt](#)

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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