

Shri Nallapulliamman Hi-Tech Modern Rice Mill

July 31, 2023

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	11.00 (Enhanced from 10.00)	CARE BB-; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to the bank facilities of Shri Nallapulliamman Hi-Tech Modern Rice Mill (SNHRM) continues to be constrained by small scale of operations, thin profitability margins and weak debt protection metrics. The rating also factors in the proprietorship nature of constitution, moderately leveraged capital structure, susceptibility of margins to raw material price fluctuations and presence in a highly competitive and fragmented industry. The rating, however, derives benefits from experienced promoter in agro industry and established clientele base.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in scale of operations to more than Rs.75 Cr along with sustainability of PBILDT margin above 4%

Negative factors

- Deterioration in capital structure with overall gearing level 3x and above
- Continuous decline in profitability margins to below 2%

Analytical approach: Standalone

Outlook: Stable

The outlook reflects stable operations of the company with modest operating profit margins. The company derives benefit from long standing relationship with customers, and extensive experience of the promoter.

Detailed description of the key rating drivers:

Key weaknesses

Small scale of operations with thin profitability margins

The scale of operations of the firm remains small and continues to be in the range of Rs. 55-65 Cr in the last 5 years. The topline remains to be steady which has grown at the rate of 2.80% CAGR during the 5-year period. The profitability margins remain to be thin due to nature of business restricted by other peers in the industry. The firm reported PBILDT margin of 2.03% in FY23 as against 1.78% in FY22. The firm has established, and long-standing customer base predominately located within Tamil Nadu State which results in stable revenue generation.

Moderately leveraged capital structure:

The total debt of the firm majorly comprises of cash credit facility and GECL loans. The GECL loan has been utilised towards increasing the processing capacity i.e., from 90 to 110 tonnes per day. The capital structure of the firm is moderately leveraged marked by overall gearing level at 1.29x as on Mar 31, 2023, against 1.11x as on Mar 31, 2022. The networth of the firm remains very low due to thin profitability margins on account of industry nature.

Weak debt coverage indicators

The debt coverage indicators of the firm continuous to remain weak during FY23. The total debt/GCA stood at 52.27x in FY23 as against 46.57x in FY22 due to low cash accruals and higher utilisation of short-term borrowings. The interest coverage level remains weak at 1.17x in FY23 (PY: 1.29x).

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Key strengths

Experienced promoter in agro industry and established clientele base

Shri Nallapulliamman Hi-Tech Modern Rice Mill (SNHRM) was established in the year 1974, as a Proprietorship concern by Mr. K.M. Kandasamy, who has more than four decades of experience in processing of rice. The firm also has operational support from its associate concern namely Shri Nallapulliamman traders (CARE BB-; Stable) promoted by Mr. A.K.Subramaniam which is into trading of processed rice and rice products. Few of the established clientele base comprises of customers located in the state of Tamil Nadu, such as M/s Venugopal Rice Mundy, M/s. V.K.Arumugam & sons, M/s. Sri Bhuvaneshwari Rice Mundy and several other local retailers located in Tamil Nadu.

Liquidity: Stretched

The liquidity profile of the firm is stretched due to high bank limit utilisation on account of industry nature. The cash accruals of the firm remain low due to thin profitability margins although tightly matches with repayment obligations. The average utilisation of cash credit facility was 98% in the last 12 months ended June 30, 2023. The operating cycle of the firm remains stretched due to elongated inventory holding period. The firm procures paddy from local farmers, its related concern and traders. Credit period on purchase is offered 5-10 days if procured from traders. As far as receivables concern, firm offers 30 days credit period to its established and long-standing customers. The current ratio remains satisfactory which stood at 1.63x as on Mar 31, 2023.

Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Manufacturing Companies](#)

[Wholesale Trading](#)

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Agricultural Food & other Products	Other Agricultural Products

Kallakurichi (Tamil Nadu) based Shri Nallapulliamman Hi Tech Modern Rice Mill (SNHRM) is a proprietorship firm established in 1974 by Mr. K.M.Kandasamy. The firm is engaged in Rice Milling and processing of non-basmati rice varieties. The firm majorly deals in rice, steamed rice, boiled rice, broken rice, rice bran, etc. The firm purchases its raw material i.e., paddy from local farmers, traders and process the paddy in their plant and sells the final product to customers located across Tamil Nadu. SNHRM has an installed capacity to process 90 tonnes per day. The firm has 4 Silos with an aggregate storage capacity of 4000 MT, imported from USA to increase the capacity of storage in godown. The firm sells rice under the brand name of 'Red Rose' and 'Panchavaranakili' to domestic wholesalers in the units of 25 kgs, 50 kgs, 75 kgs and 100 kgs bags.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (P)
Total operating income	60.09	61.77
PBILDT	1.07	1.26
PAT	0.22	0.18
Overall gearing (times)	1.11	1.29
Interest coverage (times)	1.29	1.24

A: Audited P: Provisional; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA:

CRISIL has conducted a review on the basis of best available information and has classified the company as "non-cooperating" vide its press release dated October 28, 2022.

Brickwork Ratings has conducted a review on the basis of best available information and has classified the company as "non-cooperating" vide its press release dated October 31, 2022.

Any other information: Not Applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	11.00	CARE BB-; Stable

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type*	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based - LT-Cash Credit	LT	11.00	CARE BB-; Stable	-	1)CARE BB-; Stable (19-Sep-22)	1)CARE BB-; Stable (03-Dec-21)	1)CARE BB-; Stable (03-Mar-21)

*Long term/Short term.

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

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About us:

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