

SUNSHINE RICE UNIT

February 06, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	31.63 (Enhanced from 16.25)	CARE BB-; Stable	Rating removed from ISSUER NOT COOPERATING category and Upgraded from CARE B-; Stable

Details of instruments/facilities in Annexure-1.

The rating previously assigned to the bank facilities of Sun Shine Rice Unit (SSRU) were denoted as CARE B-; Stable/ ISSUER NOT COOPERATING; Since, the firm did not provide the requisite information for monitoring the ratings. Further, in line with the extant SEBI guidelines, CARE Ratings Limited (CARE Ratings) reviewed the ratings on the basis of the best available information. However, the firm has now submitted the requisite information to monitor the ratings and CARE Ratings has carried out a full review of the ratings and the ratings stands at 'CARE BB-; Stable'.

Rating sensitivities: Factors likely to lead to rating actions

The rating assigned to the bank facilities of SSRU factor in the modest scale of operations, leveraged capital structure with weak debt protection metrics and working capital intensive nature of operations. Further, the rating also is constrained owing to high geographical concentration risk in revenue and risk of constitution of the entity as a partnership firm. However, the rating is supported by experienced partners and favourable manufacturing location.

Positive factors

- Growth in scale of operations with total operating income (TOI) of more than Rs.150 crore and sustaining PBILDT margin above 4% on sustained basis.
- Improvement in capital structure marked by an adjusted overall gearing of less than 2.50x on sustained basis.

Negative factors

- Decline in scale of operations with TOI below Rs. 100 crore or decline in PBILDT margin below 3.50% on sustained basis
- Deterioration in operating cycle more than 200 days.

Analytical approach: Standalone

Outlook: Stable

Stable outlook reflects that the firm will continue to benefit from experience of the partners in the industry.

Detailed description of key rating drivers:

Key weaknesses

Modest scale of operations:

The total operating income (TOI) of the firm remain modest at Rs. 116.74 crores in FY24 as against Rs. Rs. 117.58 crores in FY23. Increase in income from operations can be attributed to increase in orders received. The modest scale limits the firm's financial flexibility in times of stress and deprives it of scale benefits. Further, the firm has achieved sales of Rs. 87.64 crores in 9MFY25(Refers to period April 01,2024 to December 31,2024) and is expected to clock revenue of around Rs. 150 crores in FY25.

Leveraged capital structure with weak debt protection metrics:

As on March 31, 2024, the debt profile of the firm comprises of term loan to the tune of Rs 3.74 crores and working capital borrowings to the tune of Rs 34.78 crores against net worth base of Rs 15.08 crore. The capital structure of the firm stood leveraged marked by overall gearing of 2.58x as on March 31, 2024. Further, the debt coverage indicators of the firm remained weak as marked by interest coverage ratio stood moderate at 0.99x in FY24 and total debt to gross cash accrual of 46.18x as on March 31, 2024. The non-operating income of the firm supported the interest servicing during FY24.

Working capital intensive nature of operations

The operating cycle remain elongated at 156 days for FY24 owing to high inventory days. The firm is required to maintain sufficient stock of rice for processing to off-guard against supply shortages and smooth running of its production processes throughout the year. Further, the firm is also required to maintain an adequate inventory of finished goods to ensure prompt delivery to its

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

customers resulting in an average inventory holding period of around 161 days for FY24. Furthermore, being present in a highly competitive industry, the firm normally extends the credit period of 2 months to its customers. On the other hand, firm procures rice and paddy from local vendors and receives a credit period of around 61 days from the suppliers.

Geographical concentration risk

SSRU is operating from its sole manufacturing plant located at Karnal, Haryana where ~86% of the domestic revenue of the firm is concentrated. Furthermore, ~95% of the revenue came from the domestic market whereas balance from exports. Hence, SSRU is exposed to high geographical concentration risk with the top five states contributing ~95% to its revenue in 9MFY25.

Constitution of the entity as a partnership firm

SSRU is a partnership firm with the inherent risk of the possibility of withdrawal of the partners' capital and the firm being dissolved upon the retirement/ insolvency/ demise of the partner. Also, there exists limited financial flexibility with the nature of the constitution. However, it is observed that the partners are not withdrawing capital and instead infused unsecured loan as quasi equity into the firm.

Key strengths

Location Advantage:

The firm's processing facility is situated in Karnal, Haryana. Its presence in the region gives additional advantage in terms of easy availability of the raw material as well as favourable pricing terms. Moreover, owing to its location it is able to cut on the freight component of incoming raw materials from Northern belt of India.

Experienced Management:

The partners have more than two decades of experience in the rice milling industry. The firm benefits from the partners' understanding of the dynamics of the industry and established relationships with customers. Mr. Praveen Kumar Bansal is the Managing Partner of the entity who holds experience in the rice milling industry for more than 2 decades. Along with the managing partner, the family members are well-equipped with business practices of the rice milling industry.

Liquidity: Stretched

The liquidity of the position of the firm remains stretched marked by tightly matched accruals vis-à-vis repayment obligations. The firm has generated net cash accrual (NCA) of Rs. 0.84 crore during FY24 and is expected to generate NCA of Rs. 1.25 Crore in FY25, against repayment obligation of approx. Rs. 1.11 crore in the same year. The fund-based bank limits of were utilised at 95% during last 12 months ended December 2024. The current ratio remained comfortable at 1.37x, however quick ratio stood moderate at 0.53x as on 31st March, 2024.

Assumptions/Covenants: Not Applicable

Environment, social, and governance (ESG) risks: Not Applicable

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Agricultural Food & other Products	Other Agricultural Products

SSRU is a partnership concern reconstituted in August 2021, originally incorporated in 2010. Presently Inder Parkash and Sh. Parveen kumar and Smt. Aarti Rani and Sajal Bansal are the partners of the firm. Unit is situated at Nadana Road, Taraori Karnal

(Haryana) and having a capacity of 5 Mt per hr. Despite being a 14-year-old unit, the partners possess over 50 years of extensive experience in the commodity sector, having previously served as commission agents.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	118.05	116.81	87.64
PBILDT	5.06	4.80	3.30
PAT	0.40	0.40	0.34
Overall gearing (times)	7.56	2.58	-
Interest coverage (times)	1.03	0.99	-

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Brickwork and Acuite Ratings have kept the ratings to the bank facilities of Sun Shine Rice Unit in the 'issuer not-cooperating' category vide their press release dated April 05, 2024 and January 11, 2024 on account of their inability to carryout review in the absence of requisite information from the firm.

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit			-	-	28.65	CARE BB-; Stable
Fund-based - LT-Term Loan		-	-	October 2027	2.98	CARE BB-; Stable

Annexure-2: Rating history for 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 2024-2025	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
1	Fund-based - LT-Term Loan	LT	2.98	CARE BB-; Stable	1)CARE B-; Stable; ISSUER NOT COOPERATING* (18-Dec-24)	1)CARE B-; Stable; ISSUER NOT COOPERATING* (29-Nov-23)	1)CARE B-; Stable; ISSUER NOT COOPERATING* (03-Nov-22)	1)CARE B-; Stable; ISSUER NOT COOPERATING* (09-Sep-21)
2	Fund-based - LT-Cash Credit	LT	28.65	CARE BB-; Stable	1)CARE B-; Stable; ISSUER NOT COOPERATING* (18-Dec-24)	1)CARE B-; Stable; ISSUER NOT COOPERATING* (29-Nov-23)	1)CARE B-; Stable; ISSUER NOT COOPERATING* (03-Nov-22)	1)CARE B-; Stable; ISSUER NOT COOPERATING* (09-Sep-21)

*Issuer did not cooperate; based on best available information.

LT: Long term;

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

Annexure-4: Complexity level of instruments rated

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

Annexure-5: Lender details

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

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

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