

Habra Shree Lakshmi Narayan Rollar Flour and Dal Mill Private Limited

December 29, 2022

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	5.00	CARE BB-; Stable; ISSUER NOT COOPERATING* (Double B Minus; Outlook: Stable ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	3.00	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Total Bank Facilities	8.00 (₹ Eight Crore Only)		

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

Habra Shree Lakshmi Narayan Rollar Flour and Dal Mill Pvt. Ltd. (HRFD) has not paid the surveillance fees for the rating exercise agreed to in its Rating Agreement. In line with the extant SEBI guidelines, CARE Ratings Ltd.'s rating on HRFD's bank facilities will now be denoted as **CARE BB-; stable/CARE A4; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The ratings take into account the small scale of operation with low profitability margin, volatility in the prices of raw materials with exposure to vagaries of nature, regulated nature of the industry and moderate capital structure and debt coverage indicators. The ratings also factor in its presence in a fragmented and competitive nature of industry. However, the ratings continue to derive strength from experienced promoters.

Detailed description of the key rating drivers

At the time of last rating on December 03, 2021, the following were the rating strengths and weaknesses (updated for the information received from HRFD)

Key rating weaknesses

Modest scale of operations with low profit margins

The total operating income has increased by almost 51% in FY22 mainly due to increased demand. However, the scale of operations of the company remained modest marked by total operating income of Rs. 112.32 crore in FY22 as against Rs.74.59 crore in FY21. In H1FY23, it has booked a turnover of around Rs. 49.51 crore. The operating margin of the company remained low due to low value addition and intense competition in the industry. Further, the same has deteriorated from 1.45% in FY21 to 1.25% in FY22.

Regulated nature of the industry

The Government of India (GOI), every year decides a minimum support price (MSP – to be paid to the growers) for wheat and pulses which limits the bargaining power of pulses (Dal) and flour millers over the farmers. The MSP of Tur and Moong dal has increased during the crop year 2021-22 to Rs.6300/quintal and Rs.7275/quintal respectively from Rs.6000/quintal and Rs.7196/quintal respectively in crop year 2020-21. Moreover, the MSP for wheat has also been increased to Rs.2015/quintal in 2021-22 from Rs.1975/quintal in 2020-21. Given the market determined prices for finished product vis-à-vis fixed acquisition cost for raw material, the profitability margins are highly vulnerable. Such a situation does not augur well for the company, especially in times of high pulses and wheat cultivation.

Volatility in the prices of raw materials with exposure to vagaries of nature

The cultivation of pulses, wheat happens seasonally and the same is stored for the consumption throughout the year. The prices of pulses and wheat remain lower in the harvesting season whereas in off season the price of the pulses and wheat goes up as per the demand and supply in the market. As the company procures its raw materials i.e., raw pulses, wheat throughout

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

the year as per its requirement and therefore the company is exposed to volatility in prices of raw material. Also, agro products cultivation is highly dependent on monsoons, thus exposing the fate of the company's operation to vagaries of nature.

Moderate capital structure and debt coverage indicators

The overall gearing ratio has improved from 2.16x in FY21 to 1.31x in FY22 mainly due to repayment of unsecured loan. Interest coverage ratio has also improved in FY22 owing to decrease in interest expenses and the same stood at 3.49x in FY22 as against 3.08x in FY21.

Fragmented and competitive nature of industry

Processing of pulses and wheat business is highly fragmented due to presence of small players owing to low entry barrier and low technology and capital requirement. Furthermore, low product differentiation also resulted in high competition in the industry. Considering the fragmented and competitive nature of industry, the millers have low pricing power.

Key rating strengths

Experienced promoters

The promoters of HRFD are into processing of agro commodities since 2003 and therefore they have around two decades of experience in this line of business. Due to satisfactory track record of operations, the promoters have established relationship with its suppliers and customers. All the directors collectively look after the day to day operations of the company.

Analytical approach

Standalone

Applicable criteria

[Policy in respect of Non-cooperation by issuer](#)

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

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

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Manufacturing companies](#)

About the company

HRFD was incorporated in July 2015 to take over the promoters' existing partnership business "Lakshmi Narayan Flour Mill" which was into wheat and pulses processing business since 2003. The company is promoted and managed by the Saha family based out of North 24 Parganas, West Bengal. The processing facility of the company having installed capacity of 240 tons per day (TPD) is located in North 24 Parganas, West Bengal. The company is engaged in milling and processing of pulses and wheatbased products like atta, maida, suji, besan, motor dal, wheat bran etc.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (UA)	H1FY23
Total operating income	74.59	112.32	NA
PBILDT	1.08	1.40	NA
PAT	0.36	0.56	NA
Overall gearing (times)	2.16	1.31	NA
Interest coverage (times)	3.08	3.49	NA

A: Audited, NA: Not Available

Status of non-cooperation with previous CRA: Not Applicable

Any other information:

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

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

Complexity level of various instruments rated for this company: Annexure-4

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		-	-	-	5.00	CARE BB-; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-Bank Guarantee		-	-	-	3.00	CARE A4; ISSUER NOT COOPERATING*

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 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Cash Credit	LT	5.00	CARE BB-; Stable; ISSUER NOT COOPERATING *	-	1)CARE BB-; Stable (03-Dec-21)	1)CARE BB-; Stable; ISSUER NOT COOPERATING * (25-Jan-21)	1)CARE BB-; Stable (09-Dec-19)
2	Non-fund-based - ST-Bank Guarantee	ST	3.00	CARE A4; ISSUER NOT COOPERATING *	-	1)CARE A4 (03-Dec-21)	1)CARE A4; ISSUER NOT COOPERATING * (25-Jan-21)	1)CARE A4 (09-Dec-19)

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: Not Applicable**Annexure-4: Complexity level of various instruments rated for this company**

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - ST-Bank Guarantee	Simple

Annexure-5: Bank lender details for this company

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

Note on 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

Media contact

Name: Mradul Mishra
Phone: +91-22-6754 3596
E-mail: mradul.mishra@careedge.in

Analyst contact

Name: Gopal Pansari
Phone: 9331331422
E-mail: gopal.pansari@careedge.in

Relationship contact

Name: Lalit Sikaria
Phone: + 91-033- 40181600
E-mail: lalit.sikaria@careedge.in

About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

Disclaimer:

The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

**For the detailed Rationale Report and subscription information,
please visit www.careedge.in**