

Kishor Sortex And Rice Mill Private Limited
 November 27, 2020

Ratings

| Facilities / Instruments | Amount (Rs. crore) | Rating ¹ | Rating Action |
|----------------------------|--|--|---|
| Long Term Bank Facilities | 6.00 | CARE B+; Stable; ISSUER NOT COOPERATING* (Single B Plus; Outlook: Stable ISSUER NOT COOPERATING*) | Revised from CARE BB-; Stable (Double B Minus; Outlook: Stable) and moved to ISSUER NOT COOPERATING category |
| Short Term Bank Facilities | 15.00 | CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*) | Rating moved to ISSUER NOT COOPERATING category |
| Total Facilities | 21.00 (Rs. Twenty-One Crore Only) | | |

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from **Kishor Sortex And Rice Mill Private Limited (KSRMPL)** to monitor the ratings vide e-mail communications/letters dated May 05, 2020, May 29, 2020, July 02, 2020 and July 17, 2020 and numerous phone calls. However, despite our repeated requests, the entity has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the publicly available information which, however, in CARE's opinion is not sufficient to arrive at a fair rating. Further, KSRMPL has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on KSRMPL's bank facilities will now be denoted as **CARE B+; Stable; ISSUER NOT COOPERATING** and **CARE A4; ISSUER NOT COOPERATING**. Further, the banker could not be contacted.

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

At the time of last rating in September 20, 2019 the following were the rating weaknesses and strengths: (Updated the information available from Ministry of Corporate Affairs).

Detailed description of the key rating drivers**Key Rating Weaknesses**

Small scale of operation with low profitability margins: KSRMPL is a relatively small player in rice milling industry with total operating income and PAT of Rs.15.80 crore and Rs.0.06 crore respectively, in FY19. Further, the net worth base and total capital employed was low at Rs.3.27 crore and Rs.9.73 crore, respectively, as on March 31, 2019. The small size restricts the financial flexibility of the company in times of stress and it suffers on account of economies of scale. The profitability margin improved during FY19 but the same remained low marked by PBILDT margin of 7.31%, however PAT margin remained low at 0.36%, respectively, during FY19.

High working capital intensity and exposure to vagaries of nature: Rice milling is a working capital intensive business as the rice millers have to stock rice by the end of each season till the next season as the price and quality of paddy is better during the harvesting season. Also, paddy cultivation is highly dependent on monsoons, thus exposing the fate of the company's operation to vagaries of nature. Accordingly, the working capital intensity remains high leading to higher stress on the financial risk profile of the rice milling units. Moreover, the average utilization of working capital limit was around 95% during last 12 months ended May 31, 2019.

Regulated nature of the industry: The Government of India (GoI) decides a minimum support price (MSP - to be paid to paddy growers) for paddy every year limiting the bargaining power of rice millers over the farmers. The MSP of paddy was increased during the crop year 2020-21 to Rs.1868/quintal from Rs.1815/quintal in crop year 2019-20. Given the market determined prices for finished product vis-à-vis fixed acquisition cost for paddy, the profitability margins are highly volatile. Such a situation does not augur well for the company, especially in times of high paddy cultivation.

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

*Issuer did not cooperate; Based on best available information

Fragmented and competitive nature of the industry: KSRMPL's plant is located in Durg district which is in close proximity to hubs for paddy/rice cultivating region of Chhattisgarh. Owing to the advantage of close proximity to raw material sources, large number of small units is engaged in milling and processing of rice in the region. This has resulted in intense competition which is also fuelled by low entry barriers. Given that the processing activity does not involve much of technical expertise or high investment, the entry barriers are low.

Key Rating Strengths

Experienced promoters with long track record of operations: KSRMPL is into milling of rice since 2004 and thus has near about one and half decade of track record of operations. Mr. Krishna Kumar Agarwal (aged, 53 years), Mr. Bishwanath Agarwal (aged, 59 years), having long experience in similar line of business, looks after the day to day operations of the company along with a team of experienced professionals who have rich experience in the similar line of business.

Close proximity to raw material sources and favourable industry scenario: KSRMPL plant is located at Durg district which is in the midst of paddy growing state i.e. Chhattisgarh. The entire raw material requirement is met locally from the farmers (or local agents) which helps the company to save on substantial amount of transportation cost and also procure raw materials at effective prices. Further, rice being a staple food grain with India's position as one of the largest producer and consumer, demand prospects for the industry is expected to remain good in near to medium term.

Moderate capital structure and moderate debt coverage indicators: The capital structure of the company remained moderate marked by debt equity ratio and overall gearing ratio of 0.23x and 1.93x, respectively as on March 31, 2019. The debt coverage indicators of the company remained moderate marked by interest coverage ratio to 2.36x (FY18:2.11x) and total debt to GCA ratio of 10.40x (FY18:11.25x) during FY19.

Analytical approach: Standalone.

Applicable Criteria

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

[Criteria on assigning 'outlook' and 'credit watch](#)

[CARE's methodology for manufacturing companies](#)

[CARE's Policy on Default Recognition](#)

[CARE's Policy on Liquidity Analysis](#)

[Financial ratios – Non-Financial Sector](#)

[CARE's Policy on Short Term Instruments](#)

About the Company

Incorporated in February 2004, Kishor Sortex And Rice Mill Private Limited (KSRMPL) was promoted by the Agarwal family based out of Durg, Chhattisgarh. The company is engaged in milling of raw/parboiled non-basmati rice. The milling unit of KSRMPL is located at Samora, Dhamdha Road, District - Durg in Chhattisgarh with a paddy processing capacity of 48000 MTPA. KSRMPL procures paddy from farmers & local agents and sells its finished products through the wholesalers and brokers located in Chhattisgarh. In addition to this the company is also involved in custom milling (job work) services for Food Corporation of India.

| Brief Financials (Rs. crore) | FY18 (A) | FY19 (A) |
|------------------------------|----------|----------|
| Total operating income | 15.23 | 15.80 |
| PBILDT | 0.93 | 1.15 |
| PAT | 0.05 | 0.06 |
| Overall gearing (times) | 1.63 | 1.98 |
| Interest coverage (times) | 2.11 | 2.36 |

A= Audited;

Status of non-cooperation with previous CRA: CRISIL Ratings has placed its ratings under non-cooperation category due to non-available of information from the company as per its press release dated September 14, 2020.

Any other information: Not Applicable

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

Annexure-1: Details of Instruments/Facilities

| Name of the Instrument | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. crore) | Rating assigned along with Rating Outlook |
|-------------------------------------|------------------|-------------|---------------|-------------------------------|---|
| Fund-based - LT-Cash Credit | - | - | - | 6.00 | CARE B+; Stable; ISSUER NOT COOPERATING* |
| Non-fund-based - ST-Bank Guarantees | - | - | - | 15.00 | CARE A4; ISSUER NOT COOPERATING* |

Annexure-2: Rating History of last three years

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings | | | Rating history | | | |
|---------|--|-----------------|--------------------------------|--|---|---|---|---|
| | | Type | Amount Outstanding (Rs. crore) | Rating | Date(s) & Rating(s) assigned in 2020-2021 | Date(s) & Rating(s) assigned in 2019-2020 | Date(s) & Rating(s) assigned in 2018-2019 | Date(s) & Rating(s) assigned in 2017-2018 |
| 1. | Fund-based - LT-Cash Credit | LT | 6.00 | CARE B+; Stable; ISSUER NOT COOPERATING* | - | 1)CARE BB-; Stable (20-Sep-19) | - | - |
| 2. | Non-fund-based - ST-Bank Guarantees | ST | 15.00 | CARE A4; ISSUER NOT COOPERATING* | - | 1)CARE A4 (20-Sep-19) | - | - |

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

Annexure 4: Complexity level of various instruments rated for this Company:

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

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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