

Ravindra Rice and General Mills
 September 06, 2018

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities	16.50	CARE B+; Stable; ISSUER NOT COOPERATING* (Single B Plus; Outlook: Stable; ISSUER NOT COOPERATING*)	Issuer not cooperating; On the basis of Best Available Information
Total	16.50 (Rs. Sixteen crore and fifty lakhs only)		

Details of instruments/facilities in Annexure-I

Detailed Rationale and key rating drivers

CARE has been seeking information from Ravindra Rice and General Mills to monitor the rating(s) vide e-mail communications/letters dated August 27, 2018 and numerous phone calls. However, despite our repeated requests, the firm has not provided the requisite information for monitoring the ratings. **In the absence of minimum information required for the purpose of rating, CARE is unable to express opinion on the rating.** In line with the extant SEBI guidelines CARE's rating on Ravindra Rice and General Mill's bank facilities will now be denoted as **CARE B+; Stable; 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).*

Detailed description of the key rating drivers

At the time of last rating in November, 2017 the following were the rating strengths and weaknesses:

Key Rating Strengths**Experienced partners**

RRGM was established in 1998. The firm is currently being managed by Mr. Ravinder Kumar Girdhar and Mr Sanjeev Kumar Girdhar. Mr. Ravinder Kumar and Mr. Sanjeev Kumar Girdhar have an industry experience of around 40 years and 20 years, respectively, through their association with RRGM and other group concern – Ravindra Trading Company (RTC).

Favorable manufacturing location

RRGM's manufacturing unit is located in Fazilka, Punjab. The area is one of the hubs for paddy/rice, leading to its easy availability of raw material. The presence of RRGM in the vicinity of paddy producing regions gives it an advantage over competitors operating elsewhere in terms of easy availability of the raw material as well as favorable pricing terms.

Key Rating Weaknesses**Small though growing scale of operations with low profitability margin**

The firm's scale of operations has remained small marked by a total operating income and gross cash accruals of Rs.48.28 crore and Rs.0.44 crore respectively during FY17 (refers to the period April 01 to March 31). The small scale limits the firm's financial flexibility in times of stress and deprives it from scale benefits. Furthermore, the profitability margins of the firm stood low marked by PBILDT margin and PAT margin of 5.39% and 0.53%, respectively, in FY17

Elongated operating cycle

The operating cycle of the firm stood elongated at 222 days for FY17. The firm is required to maintain adequate inventory of raw material and finished goods. Furthermore, the firm provides credit period of around one month to its customers. The average utilization of the cash credit limit stood at ~90% for the last 12 months period ended October 2017.

Leveraged capital structure and weak debt coverage indicators

The capital structure of the firm stood leveraged with overall gearing ratio of 11.88x as on March 31, 2017 mainly on account of firm's high dependence upon borrowings to meet various requirements of business. Furthermore, the debt coverage indicators remained weak characterized by interest coverage ratio of 1.20x in FY17 and total debt to GCA ratio of 66.87x for FY17.

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

Susceptibility to fluctuation in raw material prices and monsoon dependent operations

Agro-based industry is characterized by its seasonality, due to its dependence on raw materials whose availability is affected directly by the vagaries of nature. The price of rice moves in tandem with the prices of paddy. Availability and prices of agro commodities are highly dependent on the climatic conditions. Adverse climatic conditions can affect their availability and leads to volatility in raw material prices.

Fragmented nature of industry coupled with high level of government regulation

The commodity nature of the product makes the industry highly fragmented with numerous players operating in the unorganized sector with very less product differentiation. Furthermore, the concentration of rice millers around the paddy-growing regions makes the business intensely competitive. Additionally, the raw material (paddy) prices are regulated by government to safeguard the interest of farmers, which in turn limits the bargaining power of the rice millers.

Partnership nature of constitution

RRGM's constitution as a partnership firm has the inherent risk of possibility of withdrawal of the partner's capital at the time of personal contingency and firm being dissolved upon the death/retirement/insolvency of partner. Moreover, partnership firms have restricted access to external borrowing as credit worthiness of partners would be the key factors affecting credit decision of the lenders.

Analytical Approach: Standalone

Applicable Criteria

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

[Criteria on assigning Outlook to Credit Ratings](#)

[Rating Methodology - Service Sector Companies](#)

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

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

About the Firm

Ravindra Rice and General Mills (RRGM) was established in 1998 as a partnership firm. It is currently being managed by Mr. Ravinder Kumar Girdhar and Mr Sanjeev Kumar Girdhar sharing profit and losses equally. The firm is engaged in processing of paddy at its manufacturing facility located in Fazilka, Punjab with an installed capacity of processing 1,460 tonnes of paddy per annum as on March 31, 2017.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2

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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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over nearly two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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	-	-	-	16.50	CARE B+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information

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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Cash Credit	LT	16.50	CARE B+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE B+; Stable (21-Nov-17)	-	-

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