

Ravindra Rice and General Mills
 September 21, 2020

Ratings

Facilities / Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	16.50	CARE B-; Stable; ISSUER NOT COOPERATING* (Single B Minus; Outlook: Stable; ISSUER NOT COOPERATING*)	Issuer not cooperating; Revised from CARE B; Stable; ISSUER NOT COOPERATING* (Single B; Outlook: Stable; ISSUER NOT COOPERATING*) on the basis of best available information
Total Facilities	16.50 (Rs. Sixteen Crore and Fifty Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated July 17, 2019, placed the rating of Ravindra Rice and General Mills under the 'issuer non-cooperating' category as RRGM had failed to provide information for monitoring of the rating. RRGM continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and a letter/email dated September 14, 2020, September 11, 2020, September 10, 2020 and September 9, 2020. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

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

Detailed description of the key rating drivers

The rating has been revised on account of susceptibility to fluctuation in raw material prices and monsoon dependent operations, fragmented nature of industry coupled with high level of government regulation and partnership nature of constitution. The ratings, however, drive strength from experienced partners and favorable manufacturing location.

Key Rating Weaknesses***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.

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

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.

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 RRGGM 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 RRGGM 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. The firm has availed the moratorium offered by RBI in light of Covid-19 for its interest payment obligations.

Analytical approach: Standalone

Applicable Criteria

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

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

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

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

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

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

About the Firm

Ravindra Rice and General Mills (RRGM) got established in 1998 as a partnership firm and are currently being managed by Mr. Ravinder Kumar Girdhar and Mr Sanjeev Kumar Girdhar sharing profit and losses in equal ratio. RRGGM is engaged in the processing of paddy at its manufacturing facility located at Fazilka (Punjab). The firm sells its products to wholesalers in and around the Punjab Region. The firm is also engaged in milling for various government entities like PUNSUP, Pungrain, etc. The paddy for processing is procured from local grain markets through commission agents based in Punjab.

RRGM has a group concern namely Ravindra Trading Company (RTC) which was established in 1980 as a proprietorship firm and is working as a commission agent for buying and selling paddy and wheat.

Brief Financials (Rs. crore)	FY16(A)	FY17(A)
Total operating income	45.89	48.28
PBILDT	2.80	2.60
PAT	0.23	0.26
Overall gearing (times)	11.33	11.88
Interest coverage (times)	1.17	1.20

A: Audited

Any other information: Not Applicable

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 did not cooperate; Based on best available information

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Banking 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	16.50	CARE B-; Stable; ISSUER NOT COOPERATING *	-	1)CARE B; Stable; ISSUER NOT COOPERATING * (17-Jul-19)	1)CARE B+; Stable; ISSUER NOT COOPERATING * (06-Sep-18)	1)CAR E B+; Stable (21-Nov-17)

Annexure-3: Detailed explanation of covenants of the rated 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

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 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.

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