

Baba Bhuman Shah Ji Rice Mills

Facilities	Amount Rs Crore	Rating Action As on January 2016
Term Loan	3.0	[ICRA]B; assigned
Working Capital	17.0	[ICRA]B; assigned
Total	20.0	

ICRA has assigned its long-term rating of [ICRA]B (pronounced ICRA B) to the Rs. 3.0 crore term loan and Rs 17.0 crore working capital facilities of Baba Bhuman Shah Ji Rice Mills (BSJR)[†].

ICRA's rating is constrained by the intensely competitive nature of the industry in which BSJR operates, which exerts pressure on its operating margins. The ratings also take into account the firm's high working capital intensity, with NWC/OI^{*} at 90% for 2014-15. This has resulted in high reliance on bank borrowings, which coupled with the company's low profitability has resulted in elevated gearing and weak debt coverage indicators. The firm's gearing has deteriorated to 8.48 times in 2014-15 from 3.64 times in 2013-14. ICRA also take note of subdued demand for basmati rice from overseas markets, coupled with declining prices during the current financial year. ICRA also takes note of the partnership constitution of the firm which exposes it to risks of withdrawal of capital, dissolution etc.

The ratings however, continue to derive support from the firm's experienced management and its presence in the paddy producing belt of India, which ensures easy availability of raw material. The rating also factors in the firm's established relationships with its customers and the favorable demand outlook for the rice industry, with India being the second largest producer and consumer of rice in the world.

Company Profile

Incorporated in 2013, BSJR is a partnership firm engaged in milling, processing and sorting of basmati and non basmati rice. The firm has its plant at Fazilka (Punjab) with a milling capacity and sorting capacity of 6 tonnes per hour each. It undertakes milling of basmati as well as non-basmati rice, however ~80% of its revenue is derived from basmati rice. The firm sells its products directly to its customers as well as through commission agents. BSJR supplies rice mainly in Delhi, Haryana and Punjab. The firm sells its products mainly to wholesalers in domestic markets who further export the same to overseas markets.

Recent Results

The firm achieved an operating income of Rs.35.66 crore and a net profit Rs 0.38 crore in 2014-15, as against an operating income of Rs. 27.30 crore and a net profit of Rs. 0.40 crore in the previous year.

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[†]"For complete rating definitions, please refer to the ICRA website www.icra.in or any of the ICRA Rating Publications"

^{*} NWC/OI- Net working capital/Operating income



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