

Rating Update

January 30, 2021 | Mumbai

Shree Vaishno Flour Mills

Update as on January 30, 2021

This update is provided in continuation of the rating rationale below.

The key rating sensitivity factors for the rating include:

Upside scenarios

- Growth in revenue (by over 30%) and a stable operating margin
- Sizeable fund infusion by the partners

Downside scenarios

- Steep decline in revenue, and operating margin of less than 4%
- Significant stretch in the working capital cycle, or any large, debt-funded capital expenditure

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, CRISIL Ratings seeks regular updates from companies on the business and financial performance. CRISIL Ratings is, however, awaiting adequate information from Shree Vaishno Flour Mills (SVFM) which will enable us to carry out the rating review. CRISIL Ratings will continue provide updates on relevant developments from time to time on this credit.

CRISIL Ratings also identifies information availability risk as a key credit factor in the rating assessment as outlined in its criteria 'Information Availability Risk in Credit Ratings'.

About the Firm

SVFM was set up in 1999 as a partnership firm. This Jammu-based firm processes wheat products such as *atta*, *suji*, *maida*, and bran.

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Rating Rationale

January 23, 2020 | Mumbai

Shree Vaishno Flour Mills

'CRISIL B/Stable' assigned to bank debt

Rating Action

Total Bank Loan Facilities Rated	Rs.6 Crore
Long Term Rating	CRISIL B/Stable (Assigned)

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL has assigned its '**CRISIL B/Stable**' rating to the long-term bank facilities of Shree Vaishno Flour Mills (SVFM).

The rating reflects the modest scale of SVFM's operations in the intensely competitive flour mill industry, and a weak financial profile. These weaknesses are partially offset by the extensive experience of the partners.

Analytical Approach

Unsecured loans (outstanding at Rs 2.7 crore as on March 31, 2019) extended to SVFM by the partners have been treated as debt.

Key Rating Drivers & Detailed Description

Weaknesses:

*** Modest scale of operations**

Small scale, reflected in revenue of Rs 24.8 crore in fiscal 2019, amid intense competition may continue to constrain pricing power and profitability. Further, the crop yield of agricultural commodities is dependent on adequate timely monsoon & favourable climatic conditions. Thus, SVFM is exposed to the risk of limited availability of key raw material during any adverse climatic condition. Also, production may be impacted by pests or crop infection leading to higher unpredictability in production and pricing of agricultural commodities and derived products.

*** Weak financial risk profile**

Financial risk profile is likely to remain constrained by large working capital debt. Gearing was high at 12.5 times as on March 31, 2019, owing to low networth of Rs 0.68 crore. Debt protection metrics also stood subdued, with interest coverage and net cash accrual to adjusted debt ratios of 1.30 times and 0.04 time, respectively, in fiscal 2019.

Strength:

*** Extensive experience of the partners**

Benefits derived from the partners' experience of over a decade, their strong understanding of local market dynamics, and healthy relations with suppliers and customers should continue to support the business.

Liquidity Poor

Cash accrual is projected to be modest at Rs 0.25-0.40 crore per annum over the medium term, against yearly maturing debt of Rs 0.01 crore. Thus, the cash credit limit remained almost fully utilised during the 12 months through September 2019. The firm has also been availing of ad hoc limit and temporary overdraft to fund the incremental working capital requirement. Liquidity is, however, partially supported by the timely, need-based unsecured loans extended by the partners.

Outlook: Stable

CRISIL believes SVFM will continue to benefit from the extensive experience of the partners.

Rating sensitivity factors:

Upward Factors:

* Increase in revenue by more than 30% and a stable operating margin * Sizeable fund infusion

Downward Factors:

* Steep decline in revenue and an operating margin of less than 4%

* Significant stretch in the working capital cycle, or any large, debt-funded capital expenditure.

About the Firm

SVFM was set up in 1999 as a partnership firm. This Jammu-based firm processes wheat products such as atta, suji, maida, and bran.

Key Financial Indicators

As on/for the period ended March 31	Units	2019	2018
Operating income	Rs crore	24.80	17.03
Reported profit after tax (PAT)	Rs crore	0.05	0.07
PAT margins	%	0.19	0.41
Adjusted debt/adjusted networkth	Times	12.51	14.86
Interest coverage	Times	1.33	1.43

Note on complexity levels of the rated instrument:

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Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)	Rating assigned with outlook
NA	Cash Credit	NA	NA	NA	5.0	CRISIL B/Stable
NA	Proposed Long Term Bank Loan Facility	NA	NA	NA	1.0	CRISIL B/Stable

Annexure - Rating History for last 3 Years

		Current		2020 (History)		2019		2018		2017		Start of 2017
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating

Fund-based Bank Facilities	LT/S T	6.00	CRISIL B/Stable	--	--	--	--	--
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All amounts are in Rs.Cr.

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Cash Credit	5	CRISIL B/Stable	--	0	--
Proposed Long Term Bank Loan Facility	1	CRISIL B/Stable	--	0	--
Total	6	--	Total	0	--

Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

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