

January 19, 2016

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	6.00	SMERA B+/Stable (Reaffirmed)
Term Loan	1.40	SMERA B+/Stable (Reaffirmed)

SMERA has reaffirmed the rating of '**SMERA B+**' (**read as SMERA B plus**) assigned to the Rs.7.40 crore long-term (fund based) bank facilities of Baba Sewa Singh Industries (BSSI). The outlook is '**Stable**'. The rating is supported by the firm's established track record of operations and experienced management. However, the rating is constrained by the weak financial risk profile, small scale of operations and working capital-intensive business. The rating is also constrained by the exposure of the firm to intense competition in the rice processing industry.

Update

BSSI's weak financial risk profile is marked by small scale of operations, revenue of Rs.14.99 crore and moderate gearing (debt-to-equity) of 2.06 times as on March 31, 2015. Moreover, the interest coverage ratio is low at 1.32 times in FY2014-15. The PAT margin has declined to 0.38 per cent in FY2014-15 from 0.56 per cent in FY2013-14. The firm's stretched liquidity position is evidenced by extended working capital cycle of 255 days in FY2014-15. BSSI operates in an intensely competitive segment of the rice processing industry. The total debt of Rs.10.86 crore includes unsecured loans of Rs.2.42 crore which are subordinated to bank debt as on March 31, 2015.

Outlook: Stable

SMERA believes BSSI will maintain a stable business risk profile over the medium term. The firm will continue to benefit from its experienced management and established relations with customers. The outlook may be revised to 'Positive' in case the firm registers substantial growth in revenues, profitability and cash accruals while achieving efficient working capital management. The outlook may be revised to 'Negative' in case of deterioration in the firm's financial risk profile.

Rating Sensitivity Factors

- Improvement in revenue and profitability
- Efficient working capital requirement

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About the Firm

BSSI, established in 2004, is a Punjab-based proprietorship firm promoted by Mr. Tikka Gurpratap. The company undertakes processing and trading of rice and has its processing unit at Jalalabad, Punjab, with installed capacity of two tonnes per hour.

For FY2014-15, BSSI reported profit after tax (PAT) of Rs.0.06 crore on operating income of Rs.14.99 crore, as compared with PAT of Rs.0.05 crore on operating income of Rs.9.37 crore in FY2013-14. BSSI's net worth stood at Rs.4.10 crore as on March 31, 2015, as compared with Rs.3.09 crore a year earlier.

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