

Press Release

18 March, 2017

Supple Tek Industries Private Limited

Rating Reaffirmed

Total Bank Facilities Rated *	Rs.109.00 Cr
Short Term Rating	SMERA BBB/Stable (Reaffirmed)

Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long term rating of '**SMERA BBB** (read as SMERA triple B) on the Rs.104.91 cr facility and assigned long term rating of '**SMERA BBB** (read as SMERA triple B) on the Rs.4.09 crore bank loan facility of Supple Tek Industries Private Limited (STIPL). The outlook continues to be '**Stable**'.

STIPL, incorporated in 2014, is an Amritsar based company engaged in the milling and trading of basmati rice. The company was promoted by Mr. Kawaljit Singh and Mr. Ramneek Singh who possess around three decades of experience in the rice industry.

List of key rating drivers and their detailed description

Strengths:

Experienced management: STIPL is engaged in the milling and trading of basmati rice. The company benefits from its experienced management. Mr. Kawaljit Singh and Mr. Ramneek Singh have around three decades of experience in the rice industry.

Healthy financial risk profile: The financial risk profile is marked by comfortable gearing (debt-equity ratio) of 0.77 times as on 31 March, 2016 against 1.46 times during the previous year. The interest coverage ratio declined to 2.57 times in FY2016 from 5.29 times in FY2015 (refers to financial year, April 01 to March 31). The net profitability margin of the company fell to 1.10 percent in FY2016 from 1.81 times in the previous year. The working capital cycle is stretched as the GCA days increased to 111 in FY2016 as compared to 49 days in FY2015.

Weaknesses:

Geopolitical risk of exporting countries: STIPL is exposed to geographical concentration risk arising from high dependence on exports to Iran that accounted for 50.39 per cent of the total revenue in FY2015-16. The company's credit risk profile is thus exposed to adverse changes in trade regulations and geopolitical situations in Iran.

Foreign exchange fluctuation risk: Since the company caters to Iran, Iraq, UAE, Turkey, among others, the profitability margins remain susceptible to fluctuations in forex rates. Also, the company operates in a highly competitive and fragmented rice industry.

Analytical approach: SMERA has considered the standalone business and financial risk profile of the company.

Applicable Criteria:

- Trading Entities - <https://www.smera.in/criteria-trading.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Outlook: Stable

SMERA believes that the company will maintain a stable outlook owing to the management's extensive experience in the rice milling business and established relationships with customers. The outlook may be revised to 'Positive' in case of sustained increase in revenues and accruals while maintaining working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of further decline in the capital structure and profitability.

About the Rated Entity

STIPL, promoted by Mr. Kawaljit Singh Arora and Mr. Ramneek Singh, is engaged in the milling and trading of basmati rice. The company commenced commercial operations on October 02, 2014.

For FY2015-16, the company reported profit after tax (PAT) of Rs.14.37 cr on operating income of Rs.1302.20 cr as compared to PAT of Rs.37.68 cr on operating income of Rs.2085.33 cr in FY2014-15. The net worth stood at Rs.102.05 cr in FY2016 as compared to Rs.75.16 cr in FY2015. The net worth of Rs.102.05 in FY2016 includes quasi-equity of Rs.76.33 cr.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	2017			2017		2016		2015	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	100.00 (Enhanced from Rs.60.09 crore)	SMERA BBB/Stable (Reaffirmed)	25 Jan, 2017	SMERA BBB/Stable (Reaffirmed)	16 Oct, 2015	SMERA BBB/Stable (Downgraded)	12 Dec, 2014	SMERA BBB+/Stable (Assigned)
Term Loan	LT	4.91 (reduced from Rs.8.91 crore)	SMERA BBB/Stable (Reaffirmed)	25 Jan, 2017	SMERA BBB/Stable (Reaffirmed)	16 Oct, 2015	SMERA BBB/Stable (Downgraded)	12 Dec, 2014	SMERA BBB+/Stable (Assigned)
Proposed Long Term	LT	4.09	SMERA BBB/Stable (Assigned))	-	-	-	-	-	-

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	N.A	N.A	N.A	100.00 (Enhanced from Rs.60.09 crore)	SMERA BBB/Stable (Reaffirmed)
Term Loan	N.A	N.A	September, 2021	4.91 (reduced from Rs.8.91 crore)	SMERA BBB/Stable (Reaffirmed)
Proposed Long Term	N.A	N.A	N.A	4.09	SMERA BBB/Stable (Assigned)

Note on complexity levels of the rated instrument:

<https://www.smera.in/criteria-complexity-levels.htm>

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ABOUT SMERA

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