

Press Release

Supple Tek Industries Private Limited (STIPL)

01 November, 2017



Ratings Upgraded

Total Bank Facilities Rated*	Rs.109.00 Crore
Long Term Rating	SMERA BBB+/Stable (Upgraded)

**Refer Annexure for details*

Rating Rationale

SMERA has upgraded the long-term rating on the Rs.109.00 crore bank facilities of Supple Tek Industries Private Limited (STIPL) to **'SMERA BBB+ (read as SMERA triple B plus)'** from **'SMERA BBB' (read as SMERA triple B)**. Further, SMERA has withdrawn the long-term rating of **'SMERA BBB (read as SMERA triple B)'** on the Rs.4.91 crore term loan as they have been fully paid. The outlook is **'Stable'**.

The rating has been upgraded on account of significant improvement in the operating income and consistent infusion of funds by promoters in the form of unsecured loans. The promoters have unsecured loans of Rs. 132.88 crore as on 31 March, 2017 as compared to Rs. 76.33 crore in the preceding year which is subordinated to bank debt. SMERA has hence treated the amount as quasi equity.

The company, incorporated in 2014 as a private limited company by Mr. Ramneek Singh and others and is engaged in the trading and milling of basmati rice at Amritsar, Punjab with installed capacity of 12 metric tons of rice per hour. The company procures raw material i.e. paddy from the local market and from farmers and exports its products mainly to the Middle East.

List of key rating drivers and their detailed description

Strengths:

Experienced promoters: The promoter, Mr. Ramneek Singh has experience of over two decades in the rice industry which has helped develop healthy relations with customers and suppliers.

Above average financial risk profile: The financial risk profile is marked by healthy net worth, modest gearing and comfortable debt protection measures. The net worth levels stood at around Rs.174.93 crore on 31 March, 2017 as against Rs.102.05 crore on 31 March, 2016. The net worth includes unsecured loans of Rs.132.88 crore as on 31 March, 2017, compared to Rs.76.33 crore in the previous year from promoters which are subordinated to bank debt. Hence, SMERA has treated them as quasi equity. The gearing stood at a moderate 1.22 times as on 31 March, 2017 as against 0.77 times in the previous year. This is on account of a healthy network of Rs.174.93 crore in FY2015-16 as against total debt of Rs.213.23 crore in FY2016-17. The total debt includes term loan of Rs.22.70 crore and working capital limit of ~ Rs.190.53 crore. The interest coverage ratio stood healthy at 4.12 times in FY2016-17 against 2.57 times in FY2015-16. The net cash accrual by total debt (NCA/TD) stood at 0.11 times in FY2017 compared to 0.28 times in FY2016. The debt to service coverage ratio (DSCR) stood at 2.81 times in FY2017 compared to 2.10 times in FY2016.

Healthy scale of operations: STIPL reflects healthy scale of operations marked by operating income of Rs.1868.12 crore in FY2017 compared to Rs.1302.20 crore in FY2016. The increase in revenue is on

account of addition of geographies and improvement in the prices of basmati rice in the international market in FY2017. Further, the company achieved revenue of around Rs.1833.50 crore till 31 August, 2017 (Provisional).

Weaknesses:

Risk related to economic conditions of the export countries: The company is engaged in the milling and trading of rice and exports the same to Middle East countries thereby exposing itself to risks related to economic conditions of the export countries. Any slowdown in the economic conditions of these countries may adversely impact order flow of the company.

Foreign exchange fluctuation risk: Since the company caters to the Middle East, 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 in the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues and net cash accruals while improving its financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected revenue, profitability or further debt-funded capital expenditure undertaken that weakens the financial risk profile.

About the rated entity – Key Financials

For FY2017, the company reported profit after tax (PAT) of Rs.16.58 crore on operating income of Rs.1868.12 crore, compared to Rs.14.37 crore on operating income of Rs.1302.20 crore in FY2016. The net worth stood at Rs.174.93 crore as on 31 March, 2017 as against Rs.102.05 crore a year earlier. The net worth of Rs.174.93 crore in FY2017 includes quasi equity of Rs.132.88 crore.

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	FY2018			FY2017		FY2017		FY2016		FY2015	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	109.00	SMERA BBB+/Stable (Upgraded)	18 Mar, 2017	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	SMERA BBB/Stable (Withdrawn)	18 Mar, 2017	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	-	-	18 Mar, 2017	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. Crore)	Ratings/ Outlook
Cash Credit	N.A	N.A	N.A	109.00	SMERA BBB+/Stable (Upgraded)
Term Loan	N.A	N.A	N.A	4.91	SMERA BBB/Stable (Withdrawn)

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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