

February 19, 2015

Facilities	Amount (Rs. Crore)	Ratings
Term Loan	2.58*	SMERA B+/Stable (Assigned)
Cash Credit	13.00	SMERA B+/Stable (Assigned)
Bank Guarantee	0.14	SMERA A4 (Assigned)

* Includes Import LC as a sublimit to the extent of Rs. 1.14Cr.

SMERA has assigned a rating of '**SMERA B+**' (read as SMERA single B plus) to the Rs.15.58 crore fund-based bank facilities and '**SMERA A4**' (read as SMERA A four) to the Rs.0.14 crore non-fund based bank facilities of Shri Rathi Agro Industries (SRAI). The outlook is '**Stable**'. The ratings are supported by the firm's experienced management and healthy revenue growth. However, the ratings are constrained by the firm's below-average financial risk profile and low profit margins. The ratings note that the firm operates in an intensely competitive segment of the food processing industry. The ratings are also constrained by the firm's exposure to agro-climatic risks.

SRAI, established in 2010, is a Gujarat-based partnership firm engaged in processing of rice and wheat. SRAI benefits from its experienced management. Mr. Hemraj Maneklal Rathi and Mrs. Bhagwatiben Hemraj Rathi, partners of SRAI, have around two decades of experience in the food grain processing business. SRAI's revenues increased from Rs.71.89 crore in FY2012-13 (refers to financial year, April 01 to March 31) to Rs.89.50 crore in FY2013-14, a healthy growth rate of 25 per cent.

SRAI's below-average financial risk profile is marked by debt-equity ratio of 4.65 times (as on March 31, 2014), interest coverage ratio of 1.62 times and debt service coverage ratio of 1.21 times in FY2013-14. SRAI's net profit margin is low at 0.31 per cent in FY2013-14. The firm operates in an intensely competitive segment of the food processing industry. SRAI's operations are also susceptible to agro-climatic risk, which may adversely affect the supply of food grains.

Outlook: Stable

SMERA believes SRAI will maintain a stable business risk profile over the medium term. The firm will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the firm registers sustained growth in revenues and profitability while achieving improvement in financial risk profile. Conversely, the outlook may be revised to 'Negative' in case the firm registers lower-than-expected revenues and profitability, or in case of deterioration in the firm's capital structure.

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About the firm

SRAI, established in 2010, is a Gujarat-based partnership firm promoted by members of the Rathi family. SRAI undertakes processing of rice and wheat. The firm has three processing units, with total installed capacity of 4,00,237 quintals. SRAI has a warehouse in Ahmadabad, Gujarat. The firm caters to customers in Gujarat, Maharashtra and Tamil Nadu.

For FY2013–14, SRAI reported profit after tax (PAT) of Rs.0.27 crore on operating income of Rs.89.50 crore, as compared with PAT of Rs.0.22 crore on operating income of Rs.71.89 crore in FY2012–13. The firm's net worth stood at Rs.3.80 crore as on March 31, 2014, as compared with Rs.2.88 crore a year earlier.

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