

April 21, 2015

Facility	Amount (Rs. Crore)	Rating
Cash Credit	150.00	SMERA BB/ Stable (Assigned)

SMERA has assigned a long-term rating of '**SMERA BB' (read as SMERA double B)** to the Rs.150.00 crore bank facility of D.D. International Inc. (DDI). The outlook is '**Stable**'. The rating is supported by the firm's established operations and experienced management. The rating also draws comfort from the strategic location of the firm's processing unit and the favourable demand outlook in the firm's key markets. However, the rating is constrained by the firm's high leverage (debt-to-capital ratio) and moderate coverage indicators. The rating is also constrained by the firm's exposure to agro-climatic risk and intense competitive pressure.

DDI, established in 1979, is a Haryana-based partnership firm engaged in processing and trading of rice. DDI benefits from its experienced management. The partners of the firm have around three decades of experience in the rice processing business. DDI's processing unit is in proximity to several grain markets in Haryana (a major rice growing state in India). The firm is poised to benefit from the favourable demand prospects for basmati rice in the Middle East market.

DDI's leverage (debt-to-capital ratio) is high at 2.74 times as on March 31, 2014. The firm's total debt of Rs.208.28 crore (as on March 31, 2014) includes subordinated unsecured loans of Rs.1.73 crore from related parties. SMERA has treated such unsecured loans as quasi-equity. DDI's interest coverage ratio is moderate at 1.32 times in FY2013-14 (refers to financial year, April 01 to March 31). The firm's operations are susceptible to adverse changes in climatic conditions which may affect the availability of paddy. DDI faces intense competition from several players in the rice industry.

Outlook: Stable

SMERA believes DDI will maintain a stable business risk profile over the medium term. The firm will continue to benefit from its established operations and experienced management. The outlook may be revised to 'Positive' in case the firm registers significant improvement in profitability and cash accruals. The outlook may be revised to 'Negative' in case of substantial decline in the firm's revenues and cash accruals, or in case of stretch in the firm's working capital cycle.

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About the firm

DDI, established in 1979, is a Haryana-based partnership firm promoted by members of the Bhatia family. DDI undertakes processing and trading of rice. The firm sells basmati rice under the brand name of 'Nature's Gift'. DDI has installed processing capacity of 27 tonnes per hour (TPH).

For FY2013–14, DDI reported net profit of Rs.3.93 crore on operating income of Rs.187.16 crore, as compared with net profit of Rs.4.11 crore on operating income of Rs.104.80 crore in FY2012–13. The firm's net worth stood at Rs.75.28 crore (including unsecured loan of Rs.1.73 crore) as on March 31, 2014, as compared with Rs.74.00 crore (including unsecured loan of Rs.1.77 crore) a year earlier.

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