

Kunal Rice Mills: Assigned

Facilities	Amount (Rs Crore)	Rating/Outlook
Cash Credit Warehouse Limit	6.00	SMERA B/Stable (Assigned)
Cash Credit	7.50	SMERA B/Stable (Assigned)

SMERA has assigned long-term rating of **'SMERA B/Stable' (read as SMERA B)** to the above mentioned bank facilities of Kunal Rice Mills (KRM). The outlook is **'Stable'**. The rating is constrained by the weak financial risk profile marked by high gearing and moderate coverage indicators. However, the rating derives comfort from the extensive experience of the promoters in the rice milling business.

KRM's scale of operations is modest marked by operating income of Rs.35.22 crore in FY2016 (provisional) as compared to Rs.15.68 crore in FY2015. The weak financial risk profile is marked by high gearing (Debt-equity ratio) of 3.84 times in FY2016 (provisional) as compared to 1.87 times in the previous year. The firm's interest coverage ratio (ICR) has been low at 1.24 times in FY2015-16 (provisional) as compared to 1.14 times in the previous year. KRM registered low debt service coverage ratio (DSCR) of 1.21 times in FY2016 (Provisional) as against 1.14 times in the last financial year.

However, the rating is strengthened by the extensive experience of the promoters in the aforementioned business.

Outlook: Stable

SMERA believes that the firm 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 its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenues and accruals or elongation of working capital cycle.

Rating Sensitivity Factors

- Scaling up of operations while managing working capital funds
- Improvement in the financial risk profile
- Agro climatic risks

Criteria applied to arrive at the ratings:

- Manufacturing Entities

About the Firm

The Punjab-based KRM was established in 2001 by Mr. Ukesh Julka. The firm has been in the rice milling (basmati) business for more than a decade. The milling unit, located at Qadian (Punjab) has an installed capacity of 9 tons per hour.

For FY2015-16 (Provisional), KRM reported profit after tax (PAT) of Rs.0.05 crore on operating income of Rs.35.22 crore as compared with PAT of Rs. 0.06 crore on operating income of Rs15.68 crore for FY2014-15. The net worth stands at Rs.3.84 crore as on March 31, 2016 (Provisional) as compared with Rs.3.80 crore a year earlier.

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ABOUT SMERA

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