

March 26, 2016

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	4.00	SMERA B/Stable (Reaffirmed)
Bank Guarantee	0.70	SMERA A4 (Reaffirmed)
Bill Discounting	3.00	SMERA A4 (Reaffirmed)

SMERA has reaffirmed the long-term rating of '**SMERA B**' (**read as SMERA B**) and short-term rating of '**SMERA A4**' (**read as SMERA A four**) on the Rs.7.70 crore bank facilities of DNA Agrotech Private Limited (DNA Agrotech). The outlook is '**Stable**'. The ratings continue to be constrained by the company's weak financial risk profile, working capital-intensive business and small-scale of operations. The ratings are also constrained by the intense market competition. However, the ratings draw comfort from the extensive experience of the management.

Update

DNA Agrotech reported operating income of Rs.22.19 crore in FY2014-15 (refers to financial year, April 01 to March 31), as compared with Rs.10.29 crore in FY2013-14. The company's net profit margins decreased to (0.18) per cent in FY2013-14 from 1.44 per cent in FY2014-15 due to increase in raw material cost. The gearing level (debt-to-equity) deteriorated to 2.75 times as on March 31, 2015 from 0.84 times as on March 31, 2013 on account of increase in working capital facility from Rs.1.81 crore in FY2013-14 to Rs.6.54 crore in FY2014-15. The leverage (total outside liabilities to tangible net worth ratio) also deteriorated from 1.98 times as on March 31, 2014 to 6.57 times as on March 31, 2015. Further, the company achieved operating income of ~Rs.10.00 crore upto 31 December, 2015.

Outlook: Stable

SMERA believes DNA Agrotech will maintain a stable business risk profile over the medium term and continue to benefit from its experienced management. The outlook may be revised to 'Positive' if the company registers higher-than-expected growth in revenue and net cash accruals while achieving efficient working capital management. The outlook may be revised to 'Negative' in case the company registers lower-than-expected net cash accruals and deterioration in the working capital management or financial risk profile.

Rating Sensitivity Factors

- Management of working capital funds
- Improvement in profitability margins

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About the Company

DNA Agrotech, incorporated in 2004, is an Assam-based company promoted by Mr. Dilip Paul, Mrs. Monalisa Nandi, Mr. Narottam Nandi and Mrs. Minakshi Bora. The company manufactures vermicompost and also supplies coal and bamboo chips to Naragaon Paper Mills.

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