

July 09, 2015

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	4.80	SMERA BB-/Stable (Assigned)
Proposed Cash Credit	1.30	SMERA BB-/Stable (Assigned)
Proposed Term Loan	1.00	SMERA BB-/Stable (Assigned)

SMERA has assigned a long-term rating of **'SMERA BB-' (read as SMERA double B minus)** to the Rs.7.10 crore bank facilities of Ishwar Chand Agro Private Limited (ICAPL). The outlook is **'Stable'**. The rating is supported by the company's experienced management, healthy financial risk profile and strategic location of the company's processing unit. However, the rating is constrained by the company's short track record of operations, exposure to agro-climatic risk and intense competitive pressure.

ICAPL, established in 2010, is an Uttar Pradesh-based company engaged in the processing and trading of rice. ICAPL benefits from its experienced management. The promoters of the company have more than three decades of experience in the rice industry. The company's gearing (debt-to-equity ratio) is low at 0.36 times (provisional) as on March 31, 2015. The company's total debt of Rs.13.93 crore (provisional) as on March 31, 2015 includes subordinated unsecured loans of Rs.9.15 crore from friends and relatives of the management. SMERA has treated such unsecured loans as quasi-equity. ICAPL's interest coverage ratio is healthy at 3.02 times (provisional) in FY2014-15 (refers to financial year, April 01 to March 31). Besides, the company's processing unit is in close proximity to grain markets in Uttar Pradesh (a major rice growing state in India).

The company commenced its operations only from December 2013 with FY2014-15 being the first full year of operations. Further, the operations are susceptible to adverse climatic changes which may affect the availability of paddy. Also, the company faces intense competition from other players in the rice industry.

Outlook: Stable

SMERA believes that the company will maintain its stable business risk profile on the back of 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 in case of elongation of working capital cycle.

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About the Company

Incorporated in 2010, ICAPL is an Uttar Pradesh-based company promoted by Mr. Ishwar Chand Tyagi and Mr. Deepak Chauhan. The company undertakes processing and trading of rice and sells the same under the 'Himshakti Rice' brand name. The manufacturing facility of the company is located at Uttar Pradesh with installed capacity of 5 tonnes per hour (TPH).

For FY2014-15, ICAPL reported net profit of Rs.0.25 crore (provisional) on operating income of Rs.22.50 crore (provisional) as compared no profit on operating income of Rs.0.25 crore in FY2013-14. The company's net worth stood at Rs.13.43 crore (provisional, including unsecured loan of Rs.9.15 crore) as on March 31, 2015, as compared with Rs.10.95 crore (including unsecured loan of Rs.6.99 crore) a year earlier.

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