

August 03, 2015

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	7.50	SMERA B+/ Stable (Assigned)
Term Loan	0.40	SMERA B+/ Stable (Assigned)

SMERA has assigned a long-term rating of '**SMERA B+**' (read as **SMERA B plus**) to the Rs.7.90 crore bank facilities of Shiv Shakti International Inc. (SSI). The outlook is '**Stable**'. The rating is constrained by the firm's weak financial risk profile, working capital intensive operations and modest scale of operations. The rating is also constrained by the firm's exposure to agro-climatic risk and intense competitive pressure. However, the rating is supported by the firm's experienced management and the strategic location of the firm's processing unit.

SSI, established in 2005, is a Haryana-based partnership firm engaged in the processing and trading of rice. The firm's weak financial risk profile is marked by high gearing (debt-to-capital ratio) of 2.65 times as on March 31, 2014 and moderate interest coverage ratio of 1.56 times in FY2013-14. The firm has working capital intensive operations with gross current assets (GCA) in the range of 120-140 days over the past two years. Further, due to high working capital requirements, SSI's cash credit limit (Rs.1.50 cr) utilisation stands at ~93% over the past 11 months ending Apr-15. Firm has modest-scale operations marked by revenues of Rs.37.16 crore in FY2013-14 (refers to financial year, April 01 to March 31), firm has achieved sales of Rs. ~44 crores till 31st March, 2015. SSI's operations are susceptible to adverse changes in climatic conditions which may affect the availability of paddy. Firm faces intense competition from several players in the rice industry.

Outlook: Stable

SMERA believes SSI 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

SSI, established in 2005, is a Haryana-based partnership firm promoted by Mrs. Anju Bala and Mr. Ankur Garg. SSI undertakes processing and trading of rice. DDI has installed processing capacity of 8 tonnes per hour (TPH).

For FY2013–14, DDI reported net profit of Rs.0.40 crore on operating income of Rs.37.77 crore, as compared with net profit of Rs.0.35 crore on operating income of Rs.20.77 crore in FY2012–13. The firm's net worth stood at Rs.2.96 crore as on March 31, 2014, as compared with Rs.2.39 crore a year earlier.

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