

August 13, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	3.50	SMERA B/Stable (Assigned)
Bank Guarantee	1.50	SMERA A4 (Assigned)

SMERA has assigned a long-term rating of '**SMERA B**' (**read as SMERA B**) and short term rating of '**SMERA A4**' (**read as SMERA A four**) to the Rs.5.00 crore bank facilities of Sudalagunta Flour Mills Limited (SFML). The ratings are constrained by the company's moderate financial risk profile and moderate scale of operations in an intensely competitive segment of the food processing industry. However, the ratings draw comfort from the company's experienced management and moderate working capital requirement.

SMERA has consolidated the business and financial risk profiles of Sudalaganata Flour Mills Limited (SFML) and Sudalaganata Agro Mills Limited (SAML) together referred to as the Sudalaganata Group. The consolidation is in view of the common management and strong business and financial linkages between the companies.

Outlook: Stable

SMERA believes that the Sudalagunta Group will continue to benefit over the medium term from the promoters vast experience in the agri business. The outlook may be revised to 'Positive' if the company's scale of operations increases substantially while maintaining its operating profitability. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve the scalability amidst intensifying competition in the area of operation.

Rating Sensitivity Factors

- Ability to scale up operations while maintaining margins
- Deterioration in working capital cycle

About the Group

The Tirupati-based Sudalagunta Group comprising SAML and SFML is engaged in the milling of whole-wheat flour (aata), wheat flour (maida) and semolina (suji). The group is promoted by Mr.Jayram Chowdary and has a total production capacity of 100 metric tonnes per day.

For FY2013-14, the Sudalagunta Group registered net profit before tax of Rs.0.42 crore on operating income of Rs.36.12 crore. The net worth stood at Rs.10.83 crore as on March 31, 2014, as compared with Rs.10.41 crore a year earlier.

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About the Company

SFML, established in 2007 is a Tirupati-based company engaged in the milling of whole-wheat flour (aata), wheat flour (maida) and semolina (suji).

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