

Sudalagunta Flour Mills Limited: Reaffirmed

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

SMERA has reaffirmed the long-rating of **'SMERA B' (read as SMERA B)** and short-term rating of **'SMERA A4' (read as SMERA A four)** on the above mentioned bank facilities of Sudalagunta Flour Mills Limited (SFML). The outlook is **'Stable'**.

The ratings continue to be constrained by the company's moderate financial risk profile and scale of operations in an intensely competitive segment of the food processing industry. However, the ratings draw comfort from the experienced management and moderate working capital requirement.

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

Update

The group reported profit after tax of Rs.0.62 crore on operating income of Rs.37.84 crore, as compared with net profit after tax of Rs.0.29 crore on operating income of Rs.39.72 crore for FY2014-15. The group's financial risk profile continues to be moderate marked by net worth of Rs.11.74 crore as on March 31, 2016 with gearing (debt-equity) of 1.00 times as on March 31, 2016 as against gearing of 1.19 times as on March 31, 2015. The interest coverage ratio (ICR) stood at 1.64 times for FY2016 while Debt service coverage ratio (DSCR) stood low at 0.64 times as on March 31, 2016.

Rating Sensitivity Factors

- Improvement in revenues and profitability
- Efficient working capital management
- Changes in financial risk profile

Outlook-Stable

SMERA believes that the Sudalagunta group (Wheat Flour Mills Division) 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 scale of operations increases substantially, while maintaining its operating profitability. Conversely, the outlook may be revised to 'Negative' if the group fails to achieve scalability amidst intensifying competition in its area of operations.

Criteria applied to arrive at the rating:

- Manufacturing Entities
- Consolidation

About the Group

The Tirupati-based Sudalagunta Group (Wheat Flour Mills Division) comprises two companies, SAML and SFML that are engaged in the milling of whole wheat flour (aata), wheat flour (maida) and semolina (suji). The group was promoted by Mr. Jayram Chowdary and has production capacity of 100 metric tonnes per day.

For FY2015–16, the group reported profit after tax of Rs.0.62 crore on operating income of Rs.37.84 crore, compared to net profit after tax of Rs.0.29 crore on operating income of Rs.39.72 crore for FY2014–15. The group's net worth stood at Rs.11.74 crore as on March 31, 2016, as compared with Rs.11.12 crore a year earlier.

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).

Rating History

Date	Facilities	Amount (Rs. Crore)	Ratings		Rating Outlook
			Long Term	Short Term	
13 Aug, 2015	Cash Credit	3.50	SMERA B (Assigned)	-	Stable
	Bank Guarantee	1.50	-	SMERA A4 (Assigned)	-

Contacts:

Analytical	Business Development
Mr. Mohit Jain Vice President – Ratings Operations, Tel: +91-22-6714 1105 Cell: 9619911017 Email: mohit.jain@smera.in	Mr. Suman M Vice President – Business Development, Corporate Ratings Tel: +91-22-6714 1151 Cell: +91-9892306888 Email: suman.m@smera.in

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details, please visit www.smera.in.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.