

Sudalagunta Agro 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 Agro Mills Limited (SAML). 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

SAML, established in 2007 is a Tirupati-based company engaged in the milling of whole-wheat flour (aata), wheat flour (maida) and semolina (suji). SAML also undertakes milling on job work basis for Andhra Pradesh State Civil Supplies Corporation Limited.

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)	-

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ABOUT SMERA

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