

September 23, 2015.

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	31.50	SMERA BB-/Stable (Assigned)
Term Loan	2.38	SMERA BB-/Stable (Assigned)
Long Term (Proposed)	0.80	SMERA BB-/Stable (Assigned)

SMERA has assigned a rating of '**SMERA BB-**' (read as **SMERA double B minus**) to the Rs. 34.68 crore bank facilities of Bhagwati Rice Mills (BRM). The outlook is '**Stable**'. The rating is supported by the firm's experienced management, strategic location of the processing unit and healthy revenue growth. However, the rating is constrained by the weak financial risk profile marked by high leverage (debt-to-capital ratio), moderate coverage indicators, exposure to agro-climatic risk and intense market competition.

Outlook: Stable

SMERA believes BRM will maintain a stable business risk profile owing to the management's extensive experience in the rice milling business and established relations 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 elongation of working capital cycle.

Rating Sensitivity Factors

- Scaling up of operations while managing working capital funds
- Agro climatic risks

About the Firm

BRM, incorporated in 1994 is a Haryana-based partnership firm engaged in the milling of basmati rice with a paddy milling capacity of 14 tonnes per hour. The firm is headed by Mr. Ajay Kumar, Mr. Vijay Kumar and Mr. Krishna Rani.

For FY2014-15, BRM reported profit after tax (PAT) of Rs.1.03 crore on operating income of Rs.186.74 crore, as compared with PAT of Rs.0.23 crore on operating income of Rs.155.37 crore in FY2013-14. The firm's net worth stood at Rs.25.24 crore as on March 31, 2015, as compared with Rs.23.23 crore a year earlier.

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