



SMERA RATINGS LIMITED

Shri Karpadha Agro Foods (SKAF)

**Rating
Rationale****October 12, 2015**

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	7.00	SMERA B+/Stable (Assigned)
SME Credit Plus	0.25	SMERA A4 (Assigned)

SMERA has assigned a long-term rating of '**SMERA B+**' (read as **SMERA single B plus**) and short-term rating of '**SMERA A4**' (read as **SMERA A four**) to the Rs.7.25 crore bank facilities of Shri Karpadha Agro Foods (SKAF). The outlook is '**Stable**'. The rating is constrained by the firm's modest scale of business, working capital intensive operations and below average financial risk profile. The rating also factors in agro climatic risks and presence of the firm in a highly competitive rice industry. However, the rating draws comfort from the firm's experienced management and proximity of the processing unit to raw material sourcing areas.

Outlook: Stable

SMERA believes that the firm will maintain its stable business risk profile on account of management's extensive experience in the rice milling business. The outlook may be revised to positive in case of sustained increase in revenues and accruals while improving its working capital cycle. Conversely, the outlook may be revised to negative in case of larger-than-expected debt funded capex or significant decline in revenues and margins.

Rating Sensitivity Factors

- Ability to scale up operations and profitability
- Agro climatic conditions
- Efficient working capital management

About the Firm

SKAF, incorporated in 2006 as a partnership firm is headed by the partners - Mr. P. Arul and Mrs. Lalithambiga. The firm is engaged in the processing of paddy into rice at its unit at Villupuram, Tamil Nadu. The unit has a milling capacity of 14,000 MTPA. SKAF sells its products under the Karpadha, Paavai, Sukran, Star Gold, and Madhuram brand names. The firm also sells by- products such as broken rice and rice bran which constitute around 10-20 per cent of the revenue.

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*Rating
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