

November 05, 2015

Facilities	Amount (Rs. Crore)	Rating
Cash Credit*	45.00	SMERA BB/Stable (Assigned)
Term Loans I	0.59	SMERA BB/Stable (Assigned)
Term Loans II	1.96	SMERA BB/Stable (Assigned)
Bank Facilities (Proposed)	0.45	SMERA BB/Stable (Assigned)

*Rs. 10.00 crore interchange ability with packing credit and Rs.10 crore interchange ability with FOBP/FOBNLC/FOUBNLC

SMERA has assigned a long-term rating of '**SMERA BB**' (**read as SMERA double B**) to the Rs.48.00 crore bank facilities of Rainbow Rice Private Limited (RRPL). The outlook is '**Stable**'. The rating is supported by the company's established operations and experienced management. The rating also draws comfort from the strategic location of the company's processing unit. However, the rating is constrained by the weak financial risk profile marked by high leverage (debt-to-equity ratio) and moderate coverage indicators. The rating is also constrained by the company's exposure to agro-climatic risk and intense competitive pressure.

Outlook: Stable

SMERA believes that the company will maintain its stable business risk profile on the back of the management's extensive experience in the rice milling business and established relationships 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 the operations while managing working capital funds
- Agro climatic risks

About the Company

Incorporated in 1998, RRPL is a Haryana-based company promoted by Mr. Sunil Kumar and Mr. Surinder Kumar. The company is engaged in the milling of rice and cotton seed crushing at Haryana. RRPL has an installed capacity of 12 MTPA for rice milling and a sortex plant with capacity of 20MTPA. The company's installed capacity for cotton seed crushing is 200 quintals per day.

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For FY2014–15, RRPL reported net profit of Rs.0.77 crore on operating income of Rs.152.14 crore as compared to net profit of Rs.0.77 crore on operating income of Rs.119.35 crore in FY2013–14. The company's net worth stood at Rs.13.79 crore (including unsecured loan of Rs.0.82 crore) as on March 31, 2015, as compared with Rs.12.96 crore (including unsecured loan of Rs.0.76 crore) a year earlier.

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