

December 18, 2015

Facilities	Amount (Rs. Crore)	Rating
<b>Cash Credit</b>	<b>45.00</b>	<b>SMERA B+/Stable (Assigned)</b>
<b>Term Loan</b>	<b>3.50</b>	<b>SMERA B+/Stable (Assigned)</b>

SMERA has assigned a long-term rating of '**SMERA B+**' (read as SMERA B plus) to the Rs.48.50 crore bank facilities of Lekh Raj & Sons (LRS). The outlook is '**Stable**'.

The rating is constrained by the weak financial risk profile marked by high debt to equity ratio and working capital intensive nature of operations. The rating is also constrained by the competitive and fragmented nature of rice processing business. However, the rating draws comfort from the firm's experienced promoters, proximity to raw materials and modest scale of operations with healthy operating margin.

### **Outlook: Stable**

SMERA believes that outlook for LRS will remain stable over the medium term owing to the promoter's experience. The outlook may be revised to 'Positive' if the firm achieves more than expected revenue improving its working capital cycle and gearing. Conversely the outlook may be revised to 'Negative' in case of lower than expected revenues and profitability or deterioration in the financial risk profile.

### **Rating Sensitivity Factors**

- Efficient working capital management
- Deterioration in debt protection metrics

### **About the Firm**

LRS, a Haryana-based partnership firm established in 2012 is engaged in the processing of par-boiled basmati rice. The firm is headed by Mr. Arun Miglani.

For FY2014-15, LRS reported profit after tax (PAT) of Rs.0.42 crore, on operating income of Rs.94.96 crore, as compared with PAT of Rs.0.42 crore on operating income of Rs.85.14 crore in the previous year. The firm's net worth stood at Rs.13.52 crore as on March 31, 2015 as compared with Rs.12.90 crore a year earlier.

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