

December 28, 2015

Facility	Amount (Rs. Crore)	Rating
Cash Credit	10.00	SMERA B+/Stable (Assigned)

SMERA has assigned a long-term rating of '**SMERA B+**' (**read as SMERA B plus**) to the Rs.10.00 crore bank facility of Deepak Agro Private Limited (DAPL). The outlook is '**Stable**'. 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. However, the rating is supported by the established track record of operations, experienced management and strategic location of the company's processing unit.

Outlook: Stable

SMERA believes that the company will maintain its stable business risk profile due to the extensive experience of the management 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 the 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 Company

Incorporated in 1994, DAPL is an Uttar Pradesh-based company promoted by Mr. Mahesh Chand Agnihotri, Mr. Ram Naresh Agnihotri and family. The company is engaged in the processing and milling of basmati rice at Mainpuri, Uttar Pradesh.

For FY2014-15, DAPL reported net profit of Rs.0.09 crore on operating income of Rs.25.49 crore as compared to net profit of Rs.0.06 crore on operating income of Rs.14.03 crore in FY2013-14. The company's net worth stood at Rs.3.84 crore as on March 31, 2015, as compared with Rs.3.26 crore a year earlier.

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