

Press Release

Deepak Agro Private Limited

06 March, 2018



Rating Upgraded

Total Bank Facilities Rated*	Rs. 13.00 Cr. (Enhanced from Rs. 10.00 Cr.)
Long Term Rating	SMERA BB- /Stable (Upgraded from SMERA B+/Stable)

**Refer annexure for details*

SMERA has upgraded the long term rating on the Rs. 13.00 crore bank facilities of Deepak Agro Private Limited (DAPL) to '**SMERA BB-**' (read as **SMERA double B minus**) from '**SMERA B+**'. The outlook is '**Stable**'.

DAPL was incorporated in 1994. Promoted by Mr. Mahesh Chand Agnihotri and family, the company is engaged in the processing of paddy at Mainpuri (Uttar Pradesh). The promoters have over two decades of experience in the rice industry. The manufacturing facility is located at Mainpuri with installed capacity of 8 tons per hour.

Key rating drivers

Strengths

- Extensive experience of the promoters in the rice milling business**

DAPL, incorporated in 1994 was promoted by Mr. Mahesh Chand Agnihotri, Mr. Ram Naresh Agnihotri and family. The promoters of DAPL have more than two decades of experience in the rice manufacturing business. Such extensive experience has helped develop an established network of suppliers and customers.

- Proximity to rice growing areas**

The manufacturing facility is located at Mainpuri UP, which offers proximity to raw materials since the region has ample production of rice. Further, a large number of rice mundi's are located in Mainpuri. The company procures raw material (paddy) from the local mandis as well as from farmers in Mainpuri.

- Moderate growth in top line**

The company witnessed growth in the top line from Rs.30.10 crore in FY2016 to Rs. 43.13 crore in FY2017. Revenue growth was mainly on account of increase in production capacity. Further, the company achieved revenue of Rs 30.00 crore till 31 Jan, 2018.

Weaknesses

- Agro climatic risks, exposure to fluctuations in forex rates, raw material prices**

Paddy, the main raw material required for rice is a seasonal crop, the production of which is highly dependent upon the monsoon. Thus, inadequate rainfall may affect the availability of paddy in adverse weather conditions. Further, the company is exposed to risks related to fluctuations in raw material prices. The price of paddy is largely dependent on several external factors such as domestic demand, international trade regulations and domestic production. Thus, the company is exposed to significant risks related to raw material fluctuations.

- **Working capital intensive business**

The operations of DAPL are working capital intensive. The GCA stood at a high of 192 days in FY2017 as against 230 days in FY2016 on account of high inventory of 194 days in FY2017 as compared to 235 days in FY2016. Further, the company had debtors days of 6 in FY2017 as compared to 5 in FY2016.

- **Moderate financial risk profile**

The financial risk profile is moderate marked by net worth of Rs. 4.56 crore as on 31 March, 2017 as against Rs. 4.48 crore as on 31 March, 2016. The gearing stood at 3.45 times as on 31 March, 2017 as against 3.16 times as on 31 March, 2016. The total debt as on 31 March, 2017 is Rs.15.73 crore as compared to Rs.14.18 crore as on 31 March, 2016. The Interest Coverage stood at 1.52 times in FY2017 as against 1.58 times in FY2016. The DSCR stood weak at 0.96 times in FY2017 and 1.05 times in the previous year. The Total outside liabilities to Total Net worth (TOL/TNW) stood at 4.61 times in FY2017 as against 3.99 times in FY2016.

- **Competitive and fragmented nature of rice milling business**

Rice is a highly competitive industry due to low entry barriers which results in intense competition from both the organised as well as unorganised players.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of the DAPL.

Outlook – Stable

SMERA believes that the company will maintain a stable outlook over the medium term owing to its 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 revenue 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.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	43.13	30.10	25.49
EBITDA	Rs. Cr.	1.86	1.69	1.29
PAT	Rs. Cr.	0.15	0.11	0.09
EBITDA Margin	(%)	4.32	5.60	5.05
PAT Margin	(%)	0.36	0.37	0.37
ROCE	(%)	7.16	6.81	10.20
Total Debt/Tangible Net Worth	Times	3.45	3.16	3.20
PBDIT/Interest	Times	1.52	1.58	1.77
Total Debt/PBDIT	Times	8.32	8.35	9.52
Gross Current Assets (Days)	Days	192	230	249

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instruments

<https://www.smera.in/criteria-complexity-levels.htm>

Status of non-cooperation with previous CRA (if applicable)

None

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
01 December, 2016	Cash Credit	Long Term	10.00	SMERA B+ / Stable (Reaffirmed)
28 December, 2015	Cash Credit	Long Term	10.00	SMERA B+ / Stable (Assigned)

Annexure - Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	13.00	SMERA BB- /Stable (Upgraded)

Contacts

Analytical	Rating Desk
Suman Chowdhury President - SMERA Bond Ratings Tel: 022-67141107 suman.chowdhury@smera.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@smera.in
Naveen Papisetty Analyst - Rating Operations Tel: 022-67141148 naveen.papisetty@smera.in	

ABOUT SMERA

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