

**December 28, 2015**

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	15.00	SMERA BB-/Stable (Assigned)
Term Loan	1.77	SMERA BB-/Stable (Assigned)
Stand by Line of Credit	1.00	SMERA BB-/Stable (Assigned)

SMERA has assigned a long-term rating of '**SMERA BB-**' (read as **SMERA double B minus**) to the Rs.17.77 crore bank facilities of Kissan Rice Mills (KRM). The outlook is '**Stable**'. The rating is supported by the firm's established operations, experienced management and strategic location of the processing unit. SMERA also notes that the partners have infused net funds of Rs.6.82 in FY2014-15, which has reduced the leverage (debt-to-equity ratio) from 4.17 times in FY2013-14 to 2.07 times in FY2014-15. However, the rating is constrained by the moderate financial risk profile marked by moderate profitability and coverage indicators. The rating is also constrained by the firm's exposure to agro-climatic risk and intense market competition.

Outlook: Stable

SMERA believes that the firm will maintain its stable business risk profile owing to 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 improving the working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of decline in capital structure and deterioration of financial risk profile.

Rating Sensitivity Factors

- Scaling up of the operations while managing working capital funds
- Maintenance of capital funds into the business

About the Firm

Incorporated in 1984, KRM is a Punjab-based firm promoted by Mr. Ashok Garg, Mr. Sushil Garg and Mr. Tarsem Garg. The firm is engaged in the milling and trading of basmati and non-basmati rice and has an installed capacity of 12 MTPA.

For FY2014-15, KRM reported net profit of Rs.0.46 crore on operating income of Rs.108.87 crore as compared to net profit of Rs.0.04 crore on operating income of Rs.119.97 crore in FY2013-14. The firm's net worth stood at Rs.12.79 crore as on March 31, 2015, as compared with Rs.5.97 crore a year earlier. The firm has achieved revenues of Rs 80.00 crore (provisional) for the period April to November 2015.

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SMERA RATINGS LIMITED

Kissan Rice Mills (KRM)

Rating Rationale

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