

**February 04, 2016**

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	18.00 (enhanced from Rs.15.00 crore)	SMERA BB-/Stable (Reaffirmed)
Term Loan	1.57 (reduced from Rs.1.77 crore)	SMERA BB-/Stable (Reaffirmed)
Stand by Line of Credit	1.00	SMERA BB-/Stable (Reaffirmed)
Warehouse Receipt	2.00	SMERA BB-/Stable (Assigned)
Bank Facilities (Proposed)	1.23	SMERA BB-/Stable (Assigned)

SMERA has reaffirmed the long-term rating of '**SMERA BB-' (read as SMERA double B minus)**' of the Rs.20.57 crore bank facilities and assigned long term rating of '**SMERA BB-' (read as SMERA double B minus)**' to the Rs.3.23 crore bank facilities of Kissan Rice Mills (KRM). The outlook is '**Stable**'. The rating continues to be supported by the firm's established operations, experienced management and strategic location of the processing unit. SMERA also notes that the partners infused net funds of Rs.6.82 in FY2014-15 that reduced the leverage (debt-to-equity ratio) to 2.07 times in FY2014-15 from 4.17 times in FY2013-14. 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 risks 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 in business

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**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 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 crore (provisional) for the period April to November 2015.

Contact List:

Media/Business Development	Analytical Contact	Rating Desk
Suman M National Sales Head – Emerging Corporate Group Tel No: 022 67141151 Cell: 9892306888 Email: suman.m@smera.in	Parimal Thakker Associate Vice President – Corporate Ratings Tel: +91-011-4973 1312 Email: parimal.thakker@smera.in	Tel: +91-22-6714 1184 Email: ratingdesk@smera.in

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