

Press Release

Sri Shiva Durga Rice Industries (SSDRI)

March 03, 2017

Rating Upgraded

Total Bank Facilities Rated*	Rs.12.00 Cr
Long Term Rating	SMERA BB-/Stable (Upgraded from SMERA B/Stable)

*Refer Annexure for details

Rating Rationale

SMERA has upgraded the rating of '**SMERA BB-**' (read as **SMERA double B minus**) from '**SMERA B**' (read as **SMERA B**) on the Rs.12.00 crore bank facilities of Sri Shiva Durga Rice Industries (SSDRI). The outlook is '**Stable**'.

SSDRI was incorporated in 2007 as a partnership firm by Mr. Kasam Jagan and others. The firm is engaged in the milling of paddy at Telangana and has capacity of 6 tons per hrs. It purchases paddy from the suppliers of U.P, Bihar, Andhra Pradesh and sells the finished products across India. The firm also exports to South Africa, South Korea and Dubai.

The rating upgrade takes into account significant growth in revenues, improvement in capital structure and comfortable coverage indicators.

List of key rating drivers and their detailed description

Strengths:

Experienced management: The partners, Mr. Kasam Jagan, Mrs. Kasam Swapna and others possess extensive experience in rice milling.

Moderate financial risk profile: The firm registered significant growth in revenue of Rs.62.56 cr in FY2015-16 against Rs.32.71 cr in FY2014-15. The firm has moderate gearing at 1.18 times in FY2015-16 against 1.77 times in FY2014-15. The interest coverage ratio is at 1.29 times in FY2015-16 against 1.26 times in FY2014-15. The operating margin declined to 3.00 per cent in FY2015-16 from 4.69 per cent in FY2014-15. The profit margin stood at 0.47 per cent in FY2015-16 against 0.55 per cent in FY2014-15.

Weaknesses:

Working Capital Intensive business: The operations are working capital intensive with gross current assets of 96 days in FY2015-16 against 133 days in FY2014-15.

Intense competition: The firm faces intense market competition in the rice milling industry in India, which is likely to have an impact on its operating performance and profitability.

Analytical approach: SMERA has considered the standalone business and financial risk profiles of the firm.

Applicable Criteria

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

Outlook: Stable

SMERA believes that the firm will maintain its stable outlook owing to extensive experience of the management in the rice milling business. The outlook may be revised to 'Positive' in case of sustained improvement in its profitability and working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of decline in revenue or if the firm takes on any large debt funded capex.

About the Rated Entity

Sri Shiva Durga Rice Industry (SSDRI), incorporated in 2007, is an Andhra Pradesh-based partnership concern. The firm is engaged in the milling and processing of non-basmati rice and has an installed capacity of 6 tons per hr.

For FY2015-16, the firm reported profit after tax (PAT) of Rs.0.29 cr on operating income of Rs.62.56 cr, as compared with PAT of Rs.0.18 cr on operating income of Rs.32.71 cr in FY2014-15. The net worth stood at Rs.7.91 cr as on March 31, 2016 against Rs.4.16 cr in the previous year.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	FY2017			FY2016		FY2015		FY2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	11.64 (enhanced from 6.50)	SMERA BB-/Stable (Upgraded from SMERA B/Stable)	31 Dec, 2015	SMERA B (Assigned)	-	-	-	-
Term Loan	LT	0.36 (reduced from 1.08)	SMERA BB-/Stable (Upgraded from SMERA B/Stable)	31 Dec, 2015	SMERA B (Assigned)	-	-	-	-
Proposed Facility	LT	-	-	31 Dec, 2015	SMERA B/SMERA A4 (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	N.A	N.A	N.A	11.64 (enhanced from 6.50)	SMERA BB-/Stable (Upgraded from SMERA B/ Stable)
Term Loan	N.A	N.A	March 2017	0.36 (reduced from 1.08)	SMERA BB-/Stable (Upgraded from SMERA B/ Stable)

Note on complexity levels of the rated instrument:

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

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ABOUT SMERA

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