

Press Release

Sri Shiva Durga Rice Industries

March 22, 2018

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 15.00 Cr.
Long Term Rating	SMERA BB-/ Outlook: Stable (Reaffirmed)

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed a long term rating of '**SMERA BB-**' (read as SMERA double B minus) to the above mentioned bank facilities of Rs. 15.00 crore to Sri Shiva Durga Rice Industries. The outlook is '**Stable**'.

Established in 2007 as a partnership firm, Sri Shiva Durga Rice Industries (SSDRI) is engaged in the milling of paddy and producing raw & parboiled rice. The firm has a milling unit in Bebbigudem village of Nalgonda district of Telangana with an installed capacity of 5 tons per hour. The promoter and managing partner Mr. Kasam Jagan possesses experience of more than a decade in the agro industry. SSDRI sells its product under the brand names of 'Sivadurga' and 'JJJ'.

Key Rating Drivers

Strengths

- **Long track record of operations and experienced management:**

Sri Shiva Durga Rice Industries (SSDRI) was formed in the year 2007 as a partnership firm. The partners of the firm Mr. Kasam Jagan, Mrs. Kasam Swapna, Mr. Julakanti Uday kumar, Mrs. Julakanti Vijaykumari, Mr. Karnati Karuna and Mrs. Vangaviti Sridevi have long experience of more than a decade in the industry.

- **Established relationship with the customers and suppliers:**

The firm's long presence in the industry has helped them to establish healthy relationships with customers and suppliers which have helped them bag repeat orders and uninterrupted flow of raw material. It caters to more than 50 customers across the states of Maharashtra, Karnataka, Telangana, Tamil Nadu, etc.

Weakness

- **Modest financial risk profile:**

The financial risk profile of the company is marked by modest net worth, comfortable gearing and moderate debt protection measures. In FY2017, the net worth levels of the company has increased marginally to Rs. 8.15 crores as on March 31, 2017 from Rs. 7.91 crores in the previous year. The gearing levels (debt to equity ratio) of the company has gone up and stood at 1.53 times as on March 31, 2017 as against 1.18 times as on March 31, 2016 which is mainly on account of increase in short term debt. Total debt of Rs. 12.43 crore constitute of long term loan of Rs. 0.32 crores and cash credit of 12.11 crore. The interest coverage ratio (ICR) stood at 1.34 times and debt service coverage ratio (DSCR) at 1.10 times as on March 31, 2017 as compared to ICR at 1.29 times and DSCR at 1.29 times on March 31, 2016.

- **Susceptibility of margins to volatility in raw material prices:**

The major raw material of the firm is paddy. The prices of the same are fluctuating in nature therefore the operating profit margins of the company is susceptible to raw material price fluctuation which is reflected in operating margin of 2.59 per cent in FY2017 as compared to 3.00 per cent in FY 2016 and 4.69 per cent in FY 2015.

Outlook: Stable

SMERA believes that Sri Shiva Durga Rice Industries will remain 'Stable" and the company will be able to maintain its business risk profile over the medium term on account of its long track record of operations and extensive management's experience. The outlook may be revised to positive in case of sustained increase in revenues. Conversely, the outlook may be revised to negative in case of further deterioration in financial risk profile and profitability.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	67.54	62.56	32.71
EBITDA	Rs. Cr.	1.75	1.88	1.53
PAT	Rs. Cr.	0.31	0.29	0.18
EBITDA Margin	(%)	2.59	3.00	4.69
PAT Margin	(%)	0.46	0.47	0.55
ROCE	(%)	8.54	12.14	13.43
Total Debt/Tangible Net Worth	Times	1.53	1.18	1.77
PBDIT/Interest	Times	1.34	1.29	1.26
Total Debt/PBDIT	Times	7.11	4.98	4.79
Gross Current Assets (Days)	Days	111	96	133

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

NA

Any other information

NA

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
3-March-2017	Cash Credit	LT	11.64	SMERA BB- / Stable (Upgraded)
	Term Loan	LT	0.36	SMERA BB- / Stable (Upgraded)
31-Dec-2015	Cash Credit	LT	6.50	SMERA B/Stable (Assigned)
	Term Loan	LT	1.08	SMERA B/Stable (Assigned)
	Proposed Facility	LT	2.00	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	12.00	SMERA BB-/ Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA BB-/ Stable (Assigned)

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