

January 18, 2016

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	22.50*	SMERA B-/Stable (Assigned)
Term Loan	25.00	SMERA B-/Stable (Assigned)

* 100 per cent interchangeability with packing credit

SMERA has assigned a rating of '**SMERA B-**' (**read as SMERA B minus**) to the above mentioned bank facilities of Khairwala International Limited (KIL). The outlook is '**Stable**'. The rating is constrained by the limited operational track record, lack of promoters experience in rice milling, high gearing and stretched liquidity. The rating is also constrained by agro climatic risks and susceptibility of profits to volatility in raw material prices. However, the rating draws support from the promoter's extensive experience in varied businesses and advantage with respect to location.

Rating Sensitivity Factors

- Scaling up operations while improving profitability
- Improving capital structure
- Generating adequate net cash accruals
- Strengthening the liquidity position

Outlook: Stable

SMERA believes KIL will maintain a Stable business risk profile over the medium term owing to the experienced management. The outlook may be revised to 'Positive' in case the company registers more than expected growth in revenues while achieving improvement in profitability. Conversely the outlook may be revised to 'Negative' with high working capital requirements increasing pressure on margins and capital structure.

About the Company

KIL was incorporated in 1993 by Mr. Sumit Agrawal, Mr. Anil Agrawal and family. In FY2014-15, the company set up a rice milling unit (60,000 tons per annum) at a total cost of Rs.34.75 crore, funded through a term loan of Rs.26.00 crore, promoter's contribution of Rs.6.44 crore and unsecured loans from relatives of Rs.2.31 crore. KIL commenced operations in January 2015.

For FY2014-15, KIL reported net loss of Rs.1.42 crore on operating income of Rs.3.26 crore. The company's net worth stood at Rs.10.66 crore as on March 31, 2015 as compared with Rs.2.09 crore a year earlier.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.

Contact List:

Media/Business Development	Analytical Contact	Rating Desk
Antony Jose Vice President – Business Development, Mid Corporate Tel: +91-22-6714 1191 Cell: +91 9820802479 Email: antony.jose@smera.in Web: www.smera.in	Pooja Ghosh Associate Vice President – Corporate Ratings Tel: +91-33-6620 1203 Email: pooja.ghosh@smera.in	Tel: +91-22-6714 1184 Email: ratingdesk@smera.in

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.