

**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.

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SMERA RATINGS LIMITED

# Khairwala International Limited (KIL)

## Rating Rationale

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