

January 19, 2016

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	25.00	SMERA BB-/Stable (Assigned)
Proposed	15.00	SMERA BB-/Stable (Assigned)

SMERA has assigned a long-term rating of **‘SMERA BB-’ (read as SMERA double B minus)** to the Rs.40.00 crore bank facilities of Mansa Devi Rice Mills (MDRM). The outlook is **‘Stable’**. The rating is supported by the firm’s established operations, experienced management and strategic location of the processing unit. However, the rating is constrained by the weak financial risk profile marked by high leverage (debt-to-equity ratio) and moderate coverage indicators. The rating is also constrained by the firm’s exposure to agro-climatic risk and intense competitive pressure.

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 maintaining its working capital cycle. Conversely, the outlook may be revised to ‘Negative’ in case of significant decline in revenues and accruals or elongation of working capital cycle.

Rating Sensitivity Factors

- Scaling up of the operations while managing working capital funds
- Improvement in the financial risk profile

About the Firm

Incorporated in 1982, MDRM is a Haryana-based partnership firm promoted by Mr. Raj Kumar and Mr. Ved Prakash. The firm is engaged in the milling of rice and has an installed capacity of 10 MTPA.

For FY2014–15, MDRM reported net profit of Rs.0.12 crore on operating income of Rs.134.56 crore as compared to net profit of Rs.0.09 crore on operating income of Rs.98.67 crore in FY2013–14. The firm’s net worth stood at Rs.17.23 crore as on March 31, 2015, as compared with Rs.14.04 crore a year earlier.

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