

February 10, 2016

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	5.25	SMERA B-/Stable (Assigned)
Cash Credit (Proposed)	0.75	SMERA B-/Stable (Assigned)

SMERA has assigned a long-term rating of '**SMERA B-**' (**read as SMERA B minus**) to the Rs.6.00 crore bank facilities of Saraswati Rice Industries (SRI). The outlook is '**Stable**'. The rating is constrained by the weak financial risk profile marked by low networth, high leverage (debt-to-equity ratio) and low coverage indicators. The rating is also constrained by the firm's exposure to agro-climatic risk and intense competitive pressure. However, the rating is supported by the established track record of operations, experienced promoter and strategic location of the processing unit.

Outlook: Stable

SMERA believes that the firm will maintain its stable business risk profile due to the extensive experience of the promoter 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 profitability margins. 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 operations while managing profitability margins
- Improvement in the financial risk profile
- Agro climatic risks

About the Firm

Incorporated in 1998, SRI, a Haryana-based firm was promoted by Mr. Shish Pal Gupta and Mrs. Anita Rani. The firm is engaged in the processing and milling of basmati and non-basmati rice at Karnal, Haryana. The milling capacity of the plant is 1 tonne per hour.

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For FY2014–15, the firm reported net profit of Rs.0.02 crore on operating income of Rs.15.29 crore as compared to net profit of Rs.0.01 crore on operating income of Rs.14.02 crore in FY2013–14. The firm's net worth stood at Rs.1.04 crore as on March 31, 2015, as compared with Rs.0.93 crore a year earlier. The firm has achieved revenues of Rs.12.00 crore (provisional) for the period April to December 2015.

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