

**February 24, 2016**

Facility	Amount (Rs. Crore)	Rating
Cash Credit	6.00	SMERA BB-/Stable (Assigned)

SMERA has assigned a rating of '**SMERA BB-**' (read as **SMERA double B minus**) to the Rs.6.00 crore bank facility of Scientific Agriculture Laboratory Private Limited (SALPL). The outlook is '**Stable**'.

SMERA has taken into consideration the audited financials of Scientific Agriculture Laboratory (SAL), a partnership firm that SALPL took over with effect from April 01, 2015. The rating draws comfort from the long track record of operations of the firm, experienced management and moderate financial risk profile. However, the rating is constrained by the uneven profit margins and decline in revenues for the current year. The rating also factors in the company's susceptibility to the vagaries of monsoon.

Outlook: Stable

SMERA believes that SALPL's outlook will remain stable owing to the experience of the promoters in the fertiliser industry. The outlook may be revised to 'Positive' in case of substantial increase in its scale of operations while maintaining its operating profitability. Conversely, the outlook may be revised to 'Negative' in case of weakening of operating margins or deteriorating financial risk profile owing to higher-than-expected increase in debt-funded working capital requirements.

Rating Sensitivity Factors

- Increase in scale of operations while maintaining profit margins
- Working capital management

About the Company

SALPL, incorporated in 2012, took over the existing business of the Tamil Nadu-based Scientific Agriculture Laboratory (SAL) established in 1977. SALPL is engaged in the manufacture of organic bio-fertilisers and pesticides and is headed by K. Subulakshmi and Mr. K. Muthukumar.

SAL reported net profit of Rs.0.74 crore on operating income of Rs.56.68 crore for FY2014-15 (provisional), as compared with net profit of Rs.0.24 crore on operating income of Rs. 53.91 crore for FY2013-14.

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SMERA RATINGS LIMITED

Scientific Agriculture Laboratory Private Limited (SALPL)

*Rating
Rationale*

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