

March 11, 2016

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	6.75	SMERA B+/Stable (Assigned)
Proposed Long Term Facility	0.25	SMERA B+/Stable (Assigned)

SMERA has assigned a long-term rating of '**SMERA B+**' (**read as SMERA B plus**) to the Rs.7.00 crore bank facilities of Sohan Lal Aggarwal & Sons (SLS). The outlook is '**Stable**'. The rating is constrained by the moderate scale of operations and long working capital cycle with high inventory. The rating is also constrained by the moderate gearing, low interest coverage and intense competition in the rice industry. However, the ratings draw support from the experienced management.

Outlook: Stable

SMERA believes that SLS will maintain its stable business risk profile owing to the extensive experience of the management in the rice milling business and established relations with customers. The outlook may be revised to 'Positive' in case of sustained increase in revenues and profitability margin. Conversely, the outlook may be revised to 'Negative' in case of further deterioration in the financial risk profile.

Rating Sensitivity Factors

- Scaling up of operations while improving profit margins
- Improvement in working capital cycle and net worth

About the Firm

SLS, incorporated as a partnership firm in 1992 is managed by Mr Suresh Chand and Mr Sunil Garg. The firm is engaged in the processing of basmati and non-basmati rice at Karnal, Haryana.

For FY2014-15, the firm reported profit after tax (PAT) of Rs.0.06 crore on operating income of Rs.21.15 crore, as compared with profit after tax (PAT) of Rs.0.04 crore on operating income of Rs.19.19 crore in FY2013-14. The net worth stood at Rs.3.03 crore as on March 31, 2015 against Rs.2.59 crore a year earlier. The total debt of Rs.10.35 crore includes unsecured loans of Rs. 2.07 crore that are subordinated to bank debt as on March 31, 2015.

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