

March 15, 2016

Facility	Amount (Rs. Crore)	Rating
Cash Credit	20.00	SMERA B+/Stable (Assigned)

SMERA has assigned long-term rating of '**SMERA B+**' (**read as SMERA B plus**) on the Rs.20.00 crore bank facility of S. G. Agro Foods (SGAF). The outlook is '**Stable**'. The rating is constrained by the weak financial risk profile marked by moderate net worth, thin profitability 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, promoter's experience 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 and established relations 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 2005, SGAF, a Punjab-based firm was promoted by Mr. Tejinder Singh and family. The firm is engaged in the milling and trading of basmati and non-basmati rice at Amritsar, Punjab and has an installed capacity of 8 ton/hour. The products are sold under the 'Majha' brand name.

For FY2014–15, SGAF reported net profit of Rs.0.04 crore on operating income of Rs.46.32 crore as compared to net profit of Rs.0.02 crore on operating income of Rs.26.04 crore in FY2013–14. The net worth stood at Rs.11.66 crore (including unsecured loan of Rs.10.29 crore) as on March 31, 2015, as compared with Rs.7.76 crore (including unsecured loan of Rs. 6.80crore) a year earlier.

The firm achieved revenues of ~Rs.52.00 crore (provisional) during the period April 2015 to January 2016.

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