

April 11, 2016

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	6.00	SMERA B-/Stable (Assigned)
Term Loan	0.50	SMERA B-/Stable (Assigned)

SMERA has assigned rating of '**SMERA B-**' (read as **SMERA B minus**) on the Rs.6.50 crore bank facilities of Shree Mahavir Oil & General Mills (SMOGM). The outlook is '**Stable**'. The rating is constrained by the modest scale of business, working capital intensive operations and susceptibility of profit margins to competition in the edible oil industry. The rating is also constrained by the weak financial risk profile marked by low net-worth, high gearing (debt-to-equity), operational losses and low interest coverage. Further, the rating also factors in the volatility in raw material prices. However, the rating draws support from the experienced management and long-standing relationships of the firm with customers and suppliers.

Outlook: Stable

SMERA believes SMOGM will maintain a stable business risk profile in the medium term on account of its experienced management and established track record. The outlook may be revised to 'Positive' if the firm registers improvement in capital structure or revenue while improving profitability margins. Conversely, the outlook may be revised to 'Negative' if the firm registers deterioration in its financial risk profile or lower than expected cash accrual. Besides, lengthening of the working capital cycle may also entail a 'Negative' outlook.

Rating Sensitivity Factors

- Scaling up of operations while improving profit margins
- Improving the financial risk profile

About the Firm

SMOGM, established in 1995, is a Rajasthan-based firm promoted by Mr. Suresh Kumar Goyal and family. The firm is engaged in the processing and trading of mustered oil and cake.

For FY2014-15, the firm reported net profit of Rs.0.04 crore on operating income of Rs.32.55 crore as compared with PAT of Rs.0.03 crore on operating income of Rs.35.82 crore for FY2014. The firm's net worth stood at Rs.0.78 crore as on March 31, 2015 as compared with Rs.0.60 crore in FY2014.

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SMERA RATINGS LIMITED

Shree Mahavir Oil & General Mills (SMOGM)

Rating Rationale

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