

May 25, 2016

| Facilities | Amount (Rs. Crore) | Ratings |
|-------------------------------|--------------------|------------------------------------|
| Cash Credit* | 18.00 | SMERA BB-/Stable (Assigned) |
| Term Loan | 1.52 | SMERA BB-/Stable (Assigned) |
| Standby Line of Credit | 1.00 | SMERA A4 (Assigned) |
| Long Term Proposed | 0.16 | SMERA BB-/Stable (Assigned) |

*Includes sublimit of Export packing credit of Rs. 2.50 crore and foreign bill purchase of Rs.0.50 crore)

SMERA has assigned long-term rating of '**SMERA BB-**' (**read as SMERA double B minus**) and short term rating of '**SMERA A4**' (**read as SMERA A four**) to the Rs.20.68 crore bank facilities of Vardaan Exports (VE). The outlook is '**Stable**'. The rating is supported by the firm's established operations, experienced management and strategic location of the processing unit. However, the rating is constrained by the moderate financial risk profile marked by moderate leverage (debt-to-capital ratio) and coverage indicators. The rating is also constrained by the firm's exposure to agro-climatic risk and intense market competition.

VE, established in 2009, is Haryana-based partnership firm engaged in milling, processing and trading of basmati and non-basmati rice. VE benefits from its experienced management. The promoters of the firm have more than two decades of experience in the agro processing industry.

VE's financial risk profile is marked by moderate net worth of Rs. 7.84 crore as on March 31, 2015, as compared with Rs. 5.23 crore a year earlier. The leverage (debt-to-capital ratio) stood at 2.46 times as on March 31, 2015 and interest coverage ratio at 1.28 times in FY2014-15 (refers to financial year, April 01 to March 31).

The company operations are susceptible to adverse changes in climatic conditions which may affect the availability of paddy. VE faces intense competition from several players in the rice industry.

Outlook: Stable

SMERA believes that the company will maintain a stable business risk profile due to the extensive experience of the promoter 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 accruals while maintaining profitability margins. Conversely, the outlook may be revised to 'Negative' if the company registers significant decline in revenues and accruals or elongation of working capital cycle.

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Rating Sensitivity Factors

- Scaling up of operations while managing profitability margins
- Improvement in the financial risk profile
- Agro climatic risks

About the Company

Incorporated in 2009, VE, a Haryana-based company was promoted by Mr. J. B. Bansal and Mrs. Poonam Garg. The company is engaged in milling, processing and trading of rice (basmati and non-basmati) with an installed capacity of 52,560 metric ton per annum (MTPA). The manufacturing facilities are located at Kaithal, Haryana and VE's sells its product under the brand name of 'Satkar' in Northern India viz. Haryana, Himachal, Delhi, Rajasthan and Uttar Pradesh through commission agents. The firm also does exports to Dubai and Saudi Arabia.

For FY2014–15, VE reported net profit of Rs.0.20 crore on operating income of Rs.107.53 crore as compared to net profit of Rs.0.01 crore on operating income of Rs.105.47 crore in FY2013–14. The company's net worth stood at Rs.7.84 crore as on March 31, 2015, as compared with Rs.5.23 crore a year earlier.

The company has achieved revenues of ~Rs.123.12 crore (provisional) for the period April 2015 to March 2016.

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