

### Om Rice & Agro Industries: Assigned

Facility	Amount (Rs. Crore)	Rating/Outlook
Cash Credit	8.00	SMERA B+/Stable (Assigned)

SMERA has assigned rating of '**SMERA B+**' (**read as SMERA B plus**) on the Rs.8.00 crore bank facility of Om Rice & Agro Industries (ORAI). The outlook is '**Stable**'.

The rating is supported by the experienced management and proximity of the processing unit to raw material sourcing areas. The rating also factors in the firm's healthy growth in revenue. However, the rating is constrained by the below average financial risk profile, stretched liquidity and risks associated with agro climatic conditions. The rating also notes the partnership constitution of ORAI.

ORAI, established in 2007, is a Nagpur-based partnership firm engaged in the processing of rice. The rating draws comfort from the experienced management. The promoter, Mr. Peeyush Sachani and Mr. Himanshu Sachani possess around a decades experience in rice milling. The rating also factors in the proximity of the processing unit to raw material sourcing areas in Nagpur. The firm has reported operating income of Rs.29.86 crore for FY2014-15 as against Rs.16.18 crore in the previous year, thereby registering a growth of ~84 per cent for FY2014-15 (refers to financial year, April 01 to March 31). The operating income for FY2015-16 (provisional) stood at Rs. 42.87 crore.

However, the firm has below average financial profile marked by gearing of 1.50 times, inadequate interest coverage ratio of 1.56 times and net cash accruals to total debt (NCA/TD) of 0.06 times for FY2014-15. Further, the liquidity position of the firm is stretched as the average cash credit limit utilisation stands at ~97 per cent for the last six months ended 30 June, 2016. Besides, the rating also factors in risks associated with agro climatic conditions as paddy, the main raw material is a seasonal crop and highly dependent on rainfall. The rating also takes into account the partnership constitution of the firm and the risk of capital withdrawal.

#### Rating Sensitivity Factors

- Scaling up operations while maintaining adequate profitability
- Efficient working capital management
- Debt funded capital expenditure plan

#### Criteria applied to arrive at the rating:

- Manufacturing Entities

#### Outlook-Stable

SMERA believes that the firm will maintain a stable outlook on account of the management's extensive experience in the rice milling business. The outlook may be revised to 'Positive' if ORAI registers higher than expected growth in revenue while improving profitability and maintaining a comfortable liquidity position. Conversely, the outlook may be revised to 'Negative' in case of larger-than-expected debt funded capex or significant decline in revenues and margins.

### About the Firm

ORAI, established in 2007, is a Nagpur-based partnership firm headed by partners, Mr. Peeyush Sachani and Mr. Himanshu Sachani. The firm is engaged in the processing of rice at its unit in Nagpur, Maharashtra. The firm also sells by-products such as broken rice and rice bran which constitute around 10-20 per cent of the revenue.

In FY2014-15, ORAI reported net profit of Rs.0.05 crore on operating income of Rs.29.86 crore, as compared to net profit of Rs.0.08 crore on operating income of Rs.16.18 crore in the previous year. The firm has reported net profit of Rs.0.28 crore on operating income of Rs.42.87 crore in FY2015-16 (provisional).

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