

Suruchi Spices Private Limited: Assigned

Facility	Amount (Rs. Crore)	Rating/Outlook
Cash Credit	40.00	SMERA BB+/Stable (Assigned)

SMERA has assigned rating of '**SMERA BB+**' (read as **SMERA double B plus**) to the Rs.40.00 crore bank facility of Suruchi Spices Private Limited (SSPL). The outlook is '**Stable**'.

The rating draws support from the established track record of operations, experienced management and diversified product portfolio. The rating also factors in the above-average financial risk profile and strong distribution network. However, the rating is constrained by the working capital intensive operations, intense market competition and susceptibility of profit margins to volatility in raw material prices.

SSPL, incorporated in 1990 is engaged in the manufacture of spices, papads and instant food mix packets. The company benefits from its long track record of operations and experienced management. Mr. Subhash Jain, Managing Director possesses experience of around four decades in the industry. The revenue has been healthy with CAGR of 18 per cent from FY2013 to FY2016 (provisional).

The revenue stood at Rs.102.72 crore in FY2013 and Rs.170.59 crore (Provisional) in FY2016. The above average financial risk profile is marked by comfortable interest coverage ratio (ICR) of 2.41 times and debt service coverage ratio (DSCR) of 2.39 times. The total net worth stands comfortable at Rs.27.70 crore with modest gearing (debt to equity) of 1.64 times as on March 31, 2016 (Provisional). However, the rating is constrained by the working capital intensive operations with working capital days of 142 and gross current asset days of 164 mainly on account inventory holding (114 days) in the months of procurement. Additionally, the rating is also weakened by the intense market competition and susceptibility of profit margins to volatility in raw material prices.

Rating Sensitivity Factors

- Maintaining growth and scale of operations
- Improvement in profitability
- Efficient working capital management

Outlook-Stable

SMERA believes that SSPL will continue to maintain a stable outlook over the medium term and benefit from its experienced management and established track record. The outlook may be revised to 'Positive' if it registers sustained growth in revenues while improving margins. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile.

Criteria applied to arrive at the rating:

- Manufacturing Entities

About the Company

SSPL, incorporated in 1990, is a Nagpur-based company promoted by Mr. Subhash Jain and Mr. Prakash Kataria. The company manufactures spices, papads and instant food mix packets.

For FY2014–15, SSPL registered profit after tax (PAT) of Rs.1.76 crore on operating income of Rs.133.56 crore, as compared with PAT of Rs.3.69 crore on operating of Rs.115.53 crore in FY2013–14.

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ABOUT SMERA

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