

### Natraj Industries: Assigned

Facilities	Amount (Rs. Crore)	Rating/Outlook
Cash Credit	4.00	SMERA B/Stable (Assigned)
Term Loan	1.37	SMERA B/Stable (Assigned)

SMERA has assigned rating of '**SMERA B' (read as SMERA B)** to the Rs.5.37 crore bank facilities of Natraj Industries (NI). The outlook is '**Stable**'. The rating is constrained by the modest operating scale in an intensely competitive segment of the agro commodities industry. The rating also factors in the firm's high leverage (debt-to-capital ratio) and low net profit margin. However, the rating is supported by the experienced management.

NI, incorporated in 2013, is engaged in the trading of agro commodities, processing of cotton seeds and crushing of oil seeds. The firm has modest scale of operations evident from the operating income of Rs.37.29 crore in FY2014-15 and Rs.15.69 crore in FY2013-14. As per the provisional figures for 12 months ended FY2016, the firm reported operating income of Rs.31.19 crore. NI is exposed to intense market competition.

The firm has a weak financial risk profile marked by leverage (debt-to-capital ratio) of 3.27 times (provisional) in FY2015-16 as against 4.60 times in FY2014-15. Further, the firm has low profitability profile evident from the operating margins of 2.71 per cent in FY2014-15 (refer to financial year, from April 1 to March 31) and 2.97 per cent in FY2013-14.

However, the firm benefits from its experienced management. Mr Ghanshyam Patel and Mr. Vinubhai Patel, partners, have more than a decade experience in the firm's line of business.

#### Outlook- Stable

SMERA believes that NI will maintain a stable outlook over the medium term and continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case of significant and sustained improvement in operating income while maintaining profitability margins and leverage. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the revenue profile, lengthening of working capital cycle or debt funded capital expansion.

#### Rating Sensitivity Factors

- Efficient working capital management
- Substantial and sustainable improvement in revenue and profitability profile

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

- Trading Entities

#### About the Firm

The Gujarat-based, NI, established in 2013 was promoted by Mr Ghanshyam Patel and Mr. Vinubhai Patel. The firm is engaged in the trading of agro commodities, processing of cotton seeds and crushing of oil seeds at Mehsana, Gujarat.

For FY2014–15, the firm reported profit after tax (PAT) of Rs.0.01 crore on operating income of Rs.37.29 crore, as compared with nil PAT on operating income of Rs.16.69 crore in FY2013–14. As per the 12 month provisional financials for FY2015-16, the firm registered nil PAT on operating income of Rs.31.19 crore. The net worth of the firm stood at Rs.1.60 crore (provisional) as on March 31, 2016 against Rs.1.24 crore a year earlier.

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#### ABOUT SMERA

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