

### Aradhya Agro Industries: Assigned

Facilities	Amount (Rs. Crore)	Rating/Outlook
Cash Credit	2.00	SMERA B/Stable (Assigned)
Term Loan I	4.00	SMERA B/Stable (Assigned)
Term Loan II	2.50	SMERA B/Stable (Assigned)
Proposed Cash Credit	3.50	SMERA B/Stable (Assigned)

SMERA has assigned long term rating of '**SMERA B**' (**read as SMERA B**) to the Rs.12.00 crore bank facilities of Aradhya Agro Industries (AAI). The outlook is '**Stable**'.

The rating is constrained by the nascent stage of operations and intense competition in the rice processing business. The rating also takes into account the agro climatic risks, susceptibility of profit margins to fluctuations in raw material prices and inherent cyclical in the agriculture industry. However, the rating derives comfort from the experienced management.

The Karnataka-based AAI is engaged in the rice processing business and commenced commercial operations in February 2016. The firm booked revenue of Rs.6.70 crore in Q1 2017 (April 2016-June 2016). AAI operates in a highly competitive and fragmented rice processing industry with low entry barriers and several organised as well as unorganised players. The firm is exposed to agro climatic risks since paddy, an agricultural commodity is highly dependent on the monsoon. The ratings also factor in the susceptibility of margins to fluctuations in prices of paddy.

However, the promoter, Mr. S. Prasana possesses nearly three decades of experience in rice trading and processing through group entities.

#### Rating Sensitivity Factors

- Scaling up operations and improving profitability amidst volatility in raw material prices
- Maintaining a comfortable financial risk profile

#### Outlook-Stable

SMERA believes that AAI will maintain a stable business risk profile on the account of the management's extensive experience in the rice milling business. The outlook may be revised to 'Positive' in case the firm registers higher than expected growth in revenues and profitability. Conversely, the outlook may be revised to 'Negative' if the firm takes on larger than expected debt funded working capital requirements leading to further deterioration in the financial risk profile.

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

- Manufacturing Entities

#### About the Firm

AAI was established in May, 2014 as a partnership firm by Mr. S. Prasana, I.P. Sheela, I.P. Prasheel and I.P. Prajwal as partners. The firm is engaged in the trading and processing of rice and commenced commercial operations in February 2016.

For FY2015-16 (Provisional), AAI registered profit after tax (PAT) of Rs.0.04 crore on operating income of Rs.1.32 crore.

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