

Union Agrotech India Private Limited: Assigned

Facilities	Amount (Rs. Crore)	Rating/Outlook
Cash Credit	9.00	SMERA BB-/Stable(Assigned)
Term Loan	4.20	SMERA BB-/Stable(Assigned)
Proposed Long Term	2.62	SMERA BB-/Stable(Assigned)

SMERA has assigned long-term rating of '**SMERA BB-/Stable (read as SMERA double B minus)**' to the above mentioned bank facilities of Union Agrotech India Private Limited (UAIPL). The outlook is '**Stable**'.

The rating derives comfort from the company's experienced management and moderate financial profile. SMERA also notes the comfortable growth in revenues. However, the rating is constrained by the highly competitive and fragmented food industry and risks related to fluctuations in raw material prices of wheat.

UAIPL, a private limited company, incorporated in 2010 is engaged in the sale of agro based product i.e. wheat flour across India under the 'Kesar' brand name. The company was promoted by Mr. Ankur Jain, Mr. Anurag Jain and Mrs. Rashmi Jain who possess two decades of experience in the food industry. UAIPL commenced commercial operations in December 2013. The revenue of the company has grown to Rs.71.74 crore in FY2016 as compared to Rs.10.88 crore in FY2014.

The moderate financial profile of the company is marked by moderate interest coverage ratio at 2.32 times in FY2016 as compared to 1.47 times in FY2015. The current ratio stands at 1.21 times in FY2016 as against 1.93 times in the previous year. SMERA also notes that the company has high gearing of 2.32 times in FY2016 as compared to 1.47 times in FY2015. The operating margin stands moderate at 4.88 percent in FY2016 as against 3.65 percent last year. The PAT margin is low at 0.91 percent in FY2016 as compared to a negative 1.14 percent in FY2015.

The company operates in a highly competitive segment of food industry and is exposed to raw material price fluctuation of wheat.

Rating Sensitivity Factors

- Scaling up of operations while managing working capital funds
- Improvement in capital structure and profitability

Outlook-Stable

SMERA believes that the company will maintain a Stable outlook owing to the extensive experience of the management and established relationships with customers. The outlook may be revised to 'Positive' in case of sustained increase in revenues and accruals while maintaining working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of further decline in capital structure or large debt funded capex undertaken by the company.

Criteria applied to arrive at the ratings:

- Manufacturing Entities

About the Company

UAIPL, established in 2010 commenced commercial operations in 2013. The company is engaged in the milling, processing and trading of agro based product i.e. wheat flour and has an installed capacity of 340 tons per day. The company procures raw materials from the local grain market and sells its product pan India under the 'Kesar' brand name.

For FY2016, UAIPL reported PAT of Rs.0.65 crore on operating income of Rs.71.74 crore as compared with net loss of Rs.0.67 crore on operating income of Rs.58.87 crore for FY2015. The net worth stands at Rs.5.58 crore in FY2016 as against Rs.5.66 crore last year. The net worth of Rs.5.58 crore in FY2016 includes quasi equity of Rs.0.50 crore.

Contacts:

Analytical	Business Development
Mr. Mohit Jain Vice President – Ratings Operations, Tel: +91-22-6714 1105 Cell: 9619911017 Email: mohit.jain@smera.in	Mr. Suman M Vice President – Business Development, Corporate Ratings Tel: +91-22-6714 1151 Cell: +91-9892306888 Email: suman.m@smera.in

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details, please visit www.smera.in.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.