

S G Agro Industries: Assigned

| Facilities | Amount (Rs Crore) | Rating/Outlook |
|----------------------|-------------------|---------------------------|
| Cash Credit | 6.40 | SMERA B/Stable (Assigned) |
| Term Loan | 1.50 | SMERA B/Stable (Assigned) |
| Proposed Cash Credit | 2.50 | SMERA B/Stable (Assigned) |

SMERA has assigned long term rating of '**SMERA B**' (**read as SMERA B**) on the Rs.10.40 crore bank facility of S G Agro Industries (SGAI). The outlook is '**Stable**'.

The rating is constrained by the weak financial risk profile marked by low profitability and high gearing. The rating also notes the intense competition in the agro industry and agro climatic risks. However, the rating draws support from the experienced promoter and proximity of manufacturing facilities to rice growing areas.

SGAI is engaged in the milling, processing and trading of basmati and non-basmati rice. The firm's financial risk profile is marked by low net profitability of Rs.0.12 crore in FY2016 as compared to Rs.0.10 crore in FY2015. The gearing ratio of 4.50 times in FY2016 has been high as against 4.79 in the previous year. The interest coverage ratio has been moderate at 1.57 times in FY2016 as against 1.67 times in FY2015. SGAI registered low debt service coverage ratio of 1.08 times in FY2016 as against 1.12 times in FY2015. Also, the firm faces intense competition in the agro industry. SGAI achieved operating income of Rs.21.89 crore in FY2016, as compared to Rs.22.41 crore in FY2015.

However, the promoter Mrs. Trisha Goel has around two decades of experience in rice milling. Besides, the manufacturing unit is located at Karnal, close to paddy cultivating areas.

Outlook - Stable

SMERA believes that the firm will maintain a stable outlook owing to the management's extensive experience in the rice milling business and established relationships with customers. The outlook may be revised to 'Positive' in case of sustained increase in revenues and accruals while improving its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenues and accruals or elongation of working capital cycle.

Rating Sensitivity Factors

- Scaling up operations while managing working capital funds
- Improvement in the capital structure

Criteria applied to arrive at the ratings:

- Trading Entities

About the Firm

SGAI, established in 2012 as a partnership firm was converted into a proprietorship concern on April 1st 2016. The firm, promoted by Mrs. Trisha Goel, is engaged in the milling, processing and trading of basmati and non-basmati rice and has an installed capacity of 6 tons. The firm sells its products in the domestic as well as the international market.

For FY2016, SGAI reported (profit after tax) PAT of Rs.0.12 crore on operating income of Rs.21.89 crore as compared with PAT of Rs.0.10 crore on operating income of Rs.22.41 crore for FY2015. The net worth stands at Rs.2.01 crore in FY2016 and Rs.1.92 crore in FY2015.

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ABOUT SMERA

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