

Roshan Fruits India Private Limited: Assigned

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit	1.50	SMERA B+/Stable (Assigned)
Term Loan	3.70	SMERA B+/Stable (Assigned)
Packing Credit	7.80	SMERA A4 (Assigned)

SMERA has assigned long term rating of '**SMERA B+**' (**read as SMERA B plus**) and short term rating of '**SMERA A4**' (**read as SMERA A four**) on the Rs.13.00 crore bank facilities of Roshan Fruits India Private Limited (RFIPL). The outlook is '**Stable**'.

The ratings derive comfort from the extensive experience of the promoters in the food processing industry, improvement in profit margins and moderate coverage indicators. However, the ratings are constrained by the small scale of operations, high gearing and working capital intensive business. The ratings also factor in the susceptibility of profitability to volatility in input prices and forex rates apart from agro climatic risks.

RFIPL, incorporated in 2003 is a Tamil Nadu-based company engaged in the processing and export of fruit pulp. The promoter, Mr. Mir Athar Ali, has more than a decade of experience in the said line of business. The operating margins improved to 16.29 per cent in FY2015-16 from 12.50 per cent in FY2014-15. The company has moderate coverage indicators marked by Interest coverage ratio (ICR) of 1.82 times and DSCR at 1.88 times in FY2015-16.

RFIPL operates on a small scale with operating income of Rs.15.52 crore in FY2016 compared to Rs.18.08 crore in FY2015. The decline in revenues is due to fewer orders during the year. Further, as indicated by the management, the company achieved revenue of Rs.9.91 crore for HY2016-17. The company's financial risk profile is average marked by net worth of Rs.3.13 crore and gearing of 3.87 times as on March 31, 2016. TOL/TNW stands at 5.37 times as on March 31, 2016.

RFIPL's operations are working capital incentive marked by gross current asset of 311 days in FY2016. The working capital cycle is stretched at 146 days in FY2016 due to high inventory days of 278. The company exports ~75 percent of its total sales. Thus, its profitability is susceptible to volatility in input prices and forex rates.

The major raw material – mangoes are available from May-July and tomatoes from January-April thus exposing the company to agro climatic risks.

Rating Sensitivity Factors

- Scaling up operations while improving profitability
- Movement in capital structure and coverage indicators
- Efficient working capital management

Outlook-Stable

SMERA believes that the outlook on RFIPL will remain 'Stable' over the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case of further improvement in the company's scale of operations, while improving profitability. Conversely, the outlook may be revised to 'Negative' in case of steep decline in revenues, profitability or deterioration in the financial risk profile.

Criteria applied to arrive at the ratings:

- Manufacturing Entities

About the Company

RFIPL, incorporated in 2003, is engaged in the processing and selling of fruit pulp. The promoter, Mr. Mir Athar Ali has a decade of experience in the same line of business. The company exports fruit pulp to Dubai, China, Netherland and Malaysia and has an installed capacity of 5 metric tonnes per hour.

In FY2015-16, the company reported net profit of Rs.0.18 crore on operating income of Rs.15.52 crore against net profit of Rs.0.19 crore on operating income of Rs.18.08 crore in the previous year.

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ABOUT SMERA

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