

S. S. Agri Business Private Limited: Assigned

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Term Loan-I	0.20	SMERA B+/Stable (Assigned)
Term Loan-II	1.31	SMERA B+/Stable (Assigned)
Cash Credit	3.60	SMERA B+/Stable (Assigned)
Bank Guarantee	1.50	SMERA A4 (Assigned)
Proposed Long Term	5.39	SMERA B+/Stable (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**) to the above mentioned facility of S. S. Agri Business Private Limited (SSABPL). The outlook is '**Stable**'.

The ratings are constrained by the company's below average financial risk profile, working capital intensive operations and risks associated with agro climatic conditions. The ratings also factor in the competitive and fragmented nature of the rice milling industry. However the ratings are supported by the experienced management and proximity to raw material sources.

The Odisha-based SSABPL, incorporated in 1997 is engaged in the processing and milling of rice. The financial risk profile is marked by low net worth of Rs.1.95 crore as on March 31, 2016, as compared with Rs.1.49 crore a year earlier. The leverage (debt-to-equity ratio) stands high at 3.44 times as on March 31, 2016 as compared to 4.17 times in the previous year. The interest coverage ratio stood at 1.97 times in FY2015-16 as against 2.02 times in FY2014-15. The operating income was low at Rs.14.01 crore in FY2015-16 as compared to Rs.12.65 crore during the previous year.

SMERA also notes that the company has working capital intensive business. The GCA days of 154 is reflected by the inventory days of 81 and debtor days of 47 in FY2015-16. Also, the company operates in a competitive and fragmented rice milling industry. The profitability margin has been thin at 0.58 per cent in FY2015-16 as compared to 0.59 percent a year earlier.

However, SSABPL benefits from its experienced management. The promoters have more than two decades of experience in the agro processing industry. The company procures raw material – paddy from local farmers and sells its products through wholesalers and distributors spread across Odisha, West Bengal, Bihar, Andhra Pradesh to name a few. The company also exports to Bangladesh.

Outlook-Stable

SMERA believes that SSABPL will maintain a stable outlook owing to the management's extensive experience in the rice milling business and proximity to raw material sources. 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 capital structure or deterioration in the financial risk profile.

Rating Sensitivity Factors

- Improvement in the financial risk profile
- Scaling up operations while improving profitability margin.

Criteria applied to arrive at the ratings:

- Manufacturing Entities

About the Company

SSABPL was incorporated in March 1997 by Mr. Chunnilal Gupta and Mr. Rajendra Kumar Gupta. The company commenced commercial operations in the processing and milling of rice from February 2011. The installed capacity stands at 28,800 metric tonnes per annum.

In FY2015-16, SSABPL reported profit after tax (PAT) of Rs.0.08 crore on operating income of Rs.14.01 crore, as compared to PAT of Rs.0.07 crore on operating income of Rs.12.65 crore in the previous year.

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ABOUT SMERA

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