

### Shree Aarti Enterprises: Assigned

Facilities	Amount (Rs Crore)	Rating/Outlook
Cash Credit	9.00	SMERA B+/Stable (Assigned)
Term Loan	3.00	SMERA B+/Stable (Assigned)

SMERA has assigned long term rating of '**SMERA B+**' (read as **SMERA B plus**) to the above mentioned bank facilities of Shree Aarti Enterprises (SAE). The outlook is '**Stable**'. The rating draws comfort from the established track record of operations and healthy revenue growth. However, the rating is constrained by the firm's moderate financial risk profile, declining profit margin and working capital intensive operations.

Shree Aarti Enterprises, established as a partnership firm in 1998, is engaged in the manufacturing (ginning and processing) and trading of agro products including cotton bales, oil, wheat among others. The operations are managed by Abhishek Goyal, Partner who possesses extensive experience in the aforementioned line of business. While the revenue profile of SAE has remained moderate, revenue increased from Rs.21.32 crore in FY2014 to Rs.28.80 crore in FY2015. Further, as per provisional financials for FY2016, the firm booked revenue of Rs.38.52 crore. As informed by the management the firm registered revenue of Rs.12.00 crore (approx.) in FY2016-17 (April-August).

However, the moderate financial profile is marked by low interest coverage ratio at 1.33 times in FY2016 (provisional). The gearing of the firm however is moderate at 1.73 times as on 31 March, 2016 (provisional) on account of low net worth position. The net worth stood at Rs.2.71 crore as on March 31, 2015 and Rs.5.19 crore as on March 31, 2016. In FY2016, the firm took a term loan for construction of factory shed and purchase of plant and machineries. Further, as informed by the banker, the utilisation of working capital limits is around 100 per cent. The PAT margin stood at 0.15 per cent in FY2014, 0.14 per cent in FY2015 and has been 0.08 per cent in FY2016 (Provisional). However the EBITDA margin is uneven i.e. 2.60 per cent in FY2014, 2.09 per cent in FY2015 and 3.33 per cent in FY2016 (Provisional). The firm's operations are working capital intensive as reflected in the Gross current asset days of 108 days in FY2015 and 87 days in FY2016 (Provisional). Further, as informed by the banker, the utilisation of working capital limit is 100 per cent.

#### Rating Sensitivity Factors

- Improving the capital structure
- Improvement in revenue

#### Outlook-Stable

SMERA believes that SAE will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' if the firm improves its financial risk profile and scale of operations. Conversely, the outlook may be revised to 'Negative' in case of further deterioration in the financial risk profile and lower than expected profit margins.

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

- Manufacturing Entities
- Trading Entities

## About the Firm

SAE, a partnership firm was established in 1998 in Indore, Madhya Pradesh. The firm is engaged in the manufacturing and trading of agro products including cotton bales, oil, wheat among others. The operations are managed by Mr. Abhishek Goyal, Partner who possesses extensive experience in the aforementioned line of business.

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## ABOUT SMERA

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