

Press Release

Shree Shakambari Rice Mill Private Limited (Shree Shakambari)

17 January, 2017

Rating Assigned

| | |
|------------------------------------|-----------------------------|
| Total Bank Facility Rated * | Rs.20.00 Crore |
| Long Term Rating | SMERA BB+/Stable (Assigned) |

**Refer Annexure for details*

Rating Rationale

SMERA has assigned long term rating of '**SMERA BB+** (read as SMERA double B plus) on the Rs.20.00 crore long term bank facility of Shree Shakambari Rice Mill Private Limited (Shree Shakambari). The outlook is '**Stable**'.

Shree Shakambari, incorporated in 2006 was acquired by the Aadhar group in 2013. The company is engaged in the manufacture of basmati and non-basmati rice. It is headed by Mr. Ram Prakash Agarwal, Mr Rajnish Kumar and Mr Satyedeo Roy who possess around a decades experience in the rice industry.

SMERA has consolidated the financial and business risk profiles of Shree Shakambari with Aadhar Rice Mills Private Limited, together referred to as the Aadhar Group, on account of high operational fungibility between the entities and common ownership.

List of key rating drivers and their detailed description

Strengths:

Experienced management: Shree Shakambari is headed by Mr. Ram Prakash Agarwal, Mr Rajnish Kumar and Mr Satyedeo Roy who possess experience of around a decade in the rice industry.

Moderate financial risk profile: The Aadhar group has moderate financial risk profile marked by comfortable net worth of Rs 25.43 crore, moderate gearing (debt-equity) of 1.32 times, interest coverage of 1.57 times and NCA/TD of 0.08 times in FY2016.

Proximity of manufacturing facility to raw material sources: The manufacturing facility is located at Ranchi, Jharkhand with abundant availability of raw material.

Weaknesses:

Working capital requirements: The rating is constrained by the working capital intensive operations marked by gross current assets days of 151 in FY2016 mainly on account of funds getting blocked in inventory. The inventory days stands at 114 in FY2016.

Susceptibility of profit margins to fluctuations in raw material prices: The rating also takes into account the susceptibility of profit margins to fluctuations in raw material prices of paddy and agro-climatic risks.

Analytical approach: Consolidation

Applicable Criteria

- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.html>
- Consolidation: <https://www.smera.in/criteria-consolidation.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Outlook - Stable

SMERA believes that the Aadhar group will maintain a stable outlook in the medium term owing to its experienced management. The outlook may be revised to 'Positive' if the company registers higher-than-expected growth in revenues and net cash accruals while maintaining better profit margins. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected growth in revenues and profitability or deterioration in the financial risk profile owing to higher working capital requirements.

About the Company

Shree Shakambari incorporated in 2006 was acquired by the Aadhar group in 2013. The company is engaged in the manufacture of basmati and non- basmati rice at Ranchi and has installed capacity of 16 TPH. The company sells its products under the brand names of SRM, SRM Gold, SRM Basmati among others.

For FY2016, the group achieved net profit after tax (PAT) of Rs.0.56 crore on operating income of Rs.133.04 crore as compared with PAT of Rs.0.34 crore on operating income of Rs.114.42 crore in FY2015.

For FY2016, on standalone basis, the company registered net profit after tax (PAT) of Rs.0.39 crore on operating income of Rs.74.58 crore as against PAT of Rs.0.23 crore on operating income of Rs.73.64 crore in FY2015.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

| Name of Facilities | 2017 | | | | 2016 | | 2015 | | 2014 | |
|--------------------|-------|-------------|--------------------|-----------------------------|------|--------|------|--------|------|--------|
| | Scale | Date | Amount (Rs. Crore) | Rating with Outlook | Date | Rating | Date | Rating | Date | Rating |
| Cash Credit | LT | 05-Jan-2017 | 20.00 | SMERA BB+/Stable (Assigned) | - | - | - | - | - | - |

***Annexure – Details of instruments rated:**

| Name of the Facilities | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. Crore) | Ratings/Outlook |
|------------------------|------------------|-------------|---------------|-------------------------------|-----------------------------|
| Cash Credit | NA | NA | NA | 20.00 | SMERA BB+/Stable (Assigned) |

Note on complexity levels of the rated instrument: <https://www.smerra.in/criteria-complexity-levels.htm>

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ABOUT SMERA

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