

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.smera.in/criteria-complexity-levels.htm>

Contacts:

Analytical	Business Development	Rating Desk
<p>Mr. Aniruddha Dhar Rating Analyst, Tel:033-67141200 Email: aniruddha.dhar@smera.in</p> <p>Mr. Vinayak Nayak, Head –Ratings Operations, SMERA Bond Ratings Tel: 022-67141190 Email: vinayak.nayak@smera.in</p>	<p>Mr. Suman M Vice President – Business Development, SMERA Bond Ratings Tel: +91-22-6714 1151 Email: suman.m@smera.in</p>	<p>Varsha Bist Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in</p>

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details please visit www.smera.in.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.