

Press Release

Shri Ramanath Kripa Industries (SRKI)

13 February, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs.5.60 Crore
Long Term Rating	SMERA B/Stable (Assigned)

*Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA B** (read as SMERA B)' to the above mentioned bank facilities of Shri Ramanath Kripa Industries (SRKI). The outlook is '**Stable**'.

SRKI, a Mangalore-based partnership firm is engaged in the processing of paddy seeds.

List of key rating drivers and their detailed description

Strengths:

Experienced promoters: The firm was established in 1994. The partners, Mr. Basty Narayan Shenoy and Mr. Basty Umesh Shenoy, possess experience of over four decades in the processing and trading of food grains.

Weaknesses:

Small scale of operations: The small scale of operations is marked by operating income of Rs.15.56 crore in FY2015-16 as against Rs.13.33 crore a year earlier.

Moderate financial risk profile: The moderate financial risk profile is marked by gearing of 2.07 times in FY2015-16 as against 2.60 times in FY2014-15. The operating margin stood at 7.20 per cent in FY2015-16 as against 6.43 per cent in FY2014-15. Further, the firm has low net profit margin of 0.36 per cent in FY2015-16 as against loss margin of 1.63 per cent in FY2014-15. The ROCE is moderate and stood at 8.43 per cent in FY2015-16 as against 5.47 per cent a year earlier.

Competitive and fragmented industry: The agro processing industry is highly competitive and has low entry barriers.

Analytical approach: SMERA has taken a standalone view of the business and financial risk profiles of the firm.

Applicable Criteria

- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.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 SRKI will maintain a stable outlook in the medium term on the back of its established operations and long standing experience of the promoter. The outlook may be revised to 'Positive' in case the firm registers higher than expected growth in revenue while improving profit margins. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile.

About the Rated Entity

SRKI, a Mangalore-based partnership firm is engaged in the processing of paddy seeds and has an installed capacity of 20 MT per day with actual utilisation of 15MT per day. Paddy seeds are procured from farmers in Karnataka and the end products - non-basmati rice and boiled rice are sold to customers in Kerala (60 per cent) and Karnataka (40 per cent).

For FY2015-16, the firm reported PAT (profit after tax) of Rs.0.06 crore on operating income of Rs.15.56 crore, as compared with loss of Rs.0.22 crore on operating income of Rs.13.33 crore in FY2014-15. The net worth stood at Rs.2.31 crore as on 31 March, 2016 against Rs.1.82 crore a year earlier.

Status of non-cooperation with previous CRA (if applicable): N.A.

Any other information: N.A.

Rating History for the last three years

Facilities	Scale	FY 2017		FY2016		FY2015		FY2014	
		Amount Rs. Crore	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	4.00	SMERA B/Stable (Assigned)	-	-	-	-	-	-
Discounted Bills Cheques/ Bankers Draft Discounted	LT	0.05	SMERA B/Stable (Assigned)	-	-	-	-	-	-
Term Loan - I	LT	1.04	SMERA B/Stable (Assigned)	-	-	-	-	-	-
Term Loan - II	LT	0.15	SMERA B/Stable (Assigned)	-	-	-	-	-	-
Proposed	LT	0.36	SMERA B/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	N.A	N.A	N.A	4.00	SMERA B/Stable (Assigned)
Discounted Bills Cheques/ Bankers Draft Discounted	N.A	N.A	N.A.	0.05	SMERA B/Stable (Assigned)
Term Loan – I	N.A	N.A	January 2021	1.04	SMERA B/Stable (Assigned)
Term Loan – II	N.A	N.A	June 2021	0.15	SMERA B/Stable (Assigned)
Proposed	N.A	N.A	N.A.	0.36	SMERA B/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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