

Press Release

Shri Ramanath Kripa Industries

08 March, 2018



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 5.60 Cr.
Long Term Rating	SMERA B / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA B** (read as SMERA B)' on the Rs. 5.60 crore bank facilities of SHRI RAMANATH KRIPA INDUSTRIES. The outlook is '**Stable**'.

Shri Ramnath Kripa Industries (SRKI) is a Mangalore-based partnership firm established in 1994 by Mr. Basty Narayan Shenoy and Mr. Basty Umesh Shenoy. The firm is engaged in the processing of paddy seeds and has installed capacity of 20 MT per day.

Key Rating Drivers

Strengths

- **Experienced promoters**

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

Weaknesses

- **Modest scale of operations and profitability:**

The agro processing industry is highly competitive and fragmented with several organized and unorganized players. The intense competition and low value addition in the agro processing industry results in low operating margins.

The firm's scale of operations stands modest as reflected in operating income of Rs.19.19 crore in FY2017 as against Rs.15.56 crore a year earlier. The operating margins (EBITDA) stood at 5.80 percent in FY2017 as against 7.20 per cent in FY2016.

- **Average financial risk profile**

SRKI has average financial risk profile marked by networth of Rs. 3.46 crore as on 31 March 2017 as against Rs. 2.31 crore as on 31 March 2016. The gearing stood at 1.51times as on 31 March 2017 as against 2.07 times as on 31 March 2016. The total debt of Rs. 5.21 crore as on 31 March 2017 comprises of Rs. 1.21 crore of term loans and Rs. 4 crore of working capital facility. The firm has moderate interest coverage ratio (ICR) of 2.23 times in FY2017.

- **Working capital intensive operations:**

SRKI has working capital intensive operations marked by Gross current assets of 142 days in FY2017 as against 120 days in FY2016. This is mainly due to high inventory requirement of 103 days as on 31 March 2017 as compared to 71 days in as on 31 March 2016. Further, the company has debtors outstanding of 39 days in FY2017 as compared to 49 days in FY2016.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the firm.

Outlook: Stable

SMERA believes SRKI will maintain a stable outlook in the medium term on the back of experienced promoter. The outlook may be revised to 'Positive' in case the firm registers higher than expected growth in revenues while improving profit margins. Conversely, the outlook may be revised to 'Negative' in case of deterioration in financial risk profile or further elongation in working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	19.19	15.56	13.33
EBITDA	Rs. Cr.	1.11	1.12	0.86
PAT	Rs. Cr.	0.07	0.06	-0.22
EBITDA Margin (%)	(%)	5.80	7.20	6.43
PAT Margin (%)	(%)	0.38	0.36	-1.63
ROCE (%)	(%)	7.47	8.43	9.83
Total Debt/Tangible Net Worth	Times	1.51	2.07	2.60
PBDIT/Interest	Times	2.23	2.22	1.65
Total Debt/PBDIT	Times	4.68	4.15	5.31
Gross Current Assets (Days)	Days	142	120	122

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>
- Manufacturing Entities - <https://www.smerra.in/criteria-manufacturing.htm>

Note on complexity levels of the rated instrument

<https://www.smerra.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
13-Feb-2017	Cash Credit	Long Term	INR 4	SMERA B / Stable (Assigned)
	Discounted Bills Cheques/ Bankers Draft Discounted	Long Term	INR 0.05	SMERA B / Stable (Assigned)
	Term Loan- I	Long Term	INR 1.04	SMERA B / Stable (Assigned)
	Term Loan-II	Long Term	INR 0.15	SMERA B / Stable (Assigned)
	Proposed	Long Term	INR 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. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.50	SMERA B / Stable (Reaffirmed)
Discounted Bills Cheques/ Bankers Draft Discounted	Not Applicable	Not Applicable	Not Applicable	-	SMERA B / Stable (Withdrawn)
Term loans-I	Not Applicable	Not Applicable	Not Applicable	0.85	SMERA B / Stable (Reaffirmed)
Term loans-II	Not Applicable	Not Applicable	Not Applicable	0.15	SMERA B / Stable (Reaffirmed)
Proposed	Not Applicable	Not Applicable	Not Applicable	0.10	SMERA B / Stable (Reaffirmed)

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ABOUT SMERA

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