

Press Release

Sureshchand Rameshchand

February 17, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 6.00 Cr.
Long Term Rating	SMERA B+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B+**' (read as SMERA B plus) on the Rs. 6.00 crore bank facilities of Sureshchand Rameshchand. The outlook is '**Stable**'.

SR, an Indore-based partnership firm established in 2013 is engaged in the processing (80 percent) and trading of pulses such as masoor dal, gram among others. The firm is headed by partners, Mr. Manish Agarwal and Mr. Dinesh Agarwal who possess experience of over a decade in the aforementioned business. The annual installed processing capacity is 5000 MT. The firm procures raw material from local mandis and also imports from Canada, Singapore etc.

Key Rating Drivers

Strengths

- Experienced management and long standing track record of operations**

SR, established in 2013, benefits from its experienced management. Mr. Manish Agarwal (Partner) and Mr. Dinesh Agarwal (Partner) possess experience of over a decade in the agro commodities industry.

- Improvement in working capital cycle**

The working capital cycle of the firm has registered improvement with GCA days of 111 as on 31 March 2016 and 137 a year earlier. Further, the working capital cycle stands at 80 days as on 31st March 2016, an improvement from 91 days in 31 March 2015.

- Proximity to areas growing pulses**

SR is located at Indore which offers proximity to areas growing pulses. Further, the firm also procures pulses from mandis apart from importing from Canada and Singapore.

Weaknesses

- Average financial risk profile**

The financial risk profile is marked by low net profit margin of 0.72 per cent in FY2015-16 as compared to 0.61 per cent a year earlier. The gearing (Debt-Equity Ratio) stood high at 3.42 times in FY2015-16 as compared to 3.83 times in FY2014-15. The ROCE of the firm has been moderate at 16.07 per cent in FY2015-16 as compared to 15.31 per cent in the previous year. The coverage ratio stood at 1.43 times for FY2015-16 as against 1.23 times a year earlier.

- Competitive and fragmented industry**

The agro commodities industry is highly competitive with low entry barriers resulting in intense competition from the organised as well as unorganised players.

- Agro climatic risks**

The rating factors in the agro climatic risks since production of pulses is highly dependent upon the

monsoon.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of SR to arrive at the rating.

Outlook: Stable

SMERA believes that SR will maintain a stable outlook in the medium term owing to its established operations and extensive experience of the promoter. The outlook may be revised to Positive in case of improvement in gearing and profitability. Conversely, the outlook may be revised to Negative in case of decrease in revenue or higher-than-expected increase in debt-funded capex.

About the Rated Entity - Key Financials

For FY2015-16, the firm reported PAT (profit after tax) of Rs.0.14 cr on operating income of Rs.19.86 cr, as compared with PAT of Rs.0.11 cr on operating income of Rs.18.72 cr in FY2014-15. The net worth stood at Rs.1.42 cr as on March 31, 2016 against Rs.1.16 cr a year earlier.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

***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	Not Applicable	Not Applicable	Not Applicable	4.50	SMERA B+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.40	SMERA B+ / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	0.10	SMERA B+ / Stable

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