

Press Release

Shree Hari Om Foods

February 17, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 14.00 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (read as SMERA BB minus) on the Rs. 14.00 crore bank facilities of Shree Hari Om Foods. The outlook is '**Stable**'.

The Haryana-based, Shree Hari Om Foods (SHOF) was established as a partnership firm in 2009 by Mr. Rakesh Kumar, Mr. Lalit Singla, and Mr. Vimal Singla. The firm is engaged in the milling and processing of basmati rice and has installed capacity of 96 MT per day.

Key Rating Drivers

Strengths

- **Experienced promoters and second line of management**

The promoters, Mr. Rakesh Kumar, Mr. Lalit Singla, and Mr. Vimal Singla possess extensive experience in the industry.

- **Improved working capital cycle**

The working capital cycle of the firm registered improvement marked by Gross Current Assets (GCA) days of 76 in FY2015-16 as compared to 114 days a year earlier. This is due to improvement in inventory days to 55 days in FY2015-16 as compared to 94 days in FY2015-16.

- **Proximity to raw material sources**

The firm is located at Nising, Haryana which has proximity to raw material sourcing areas. The firm procures raw material from Uttar Pradesh, Punjab and Haryana and sells in Delhi, Madhya Pradesh, Haryana and U.P.

- **Moderate financial risk profile**

The firm has moderate financial risk profile marked by gearing of 1.93 times as on March 31, 2016 against 2.66 percent in FY2014-15. Moreover, the interest coverage ratio stood moderate at 1.22 times in FY2015-16 against 1.24 times in FY2014-15. The operating margin stood at 2.38 per cent in FY2015-16 against 2.46 per cent in FY2014-15. The firm has moderate operating income of Rs.66.73 crore in FY2015-16, an improvement from Rs.63.49 crore in FY2014-15. The firm achieved operating income of ~Rs.60.00 crore till December 2016.

- **Comfortable liquidity profile**

The firm has comfortable liquidity profile marked by average cash credit utilisation of 44.53 percent from April 2016 to December 2016. The current ratio of the firm stood at 1.37 times in FY2015-16 as compared to 1.23 times a year earlier. SMERA also notes the regular infusion of capital by partners.

Weaknesses

- **Agro climatic risks**

Paddy - the main raw material required for rice is a seasonal crop and production of the same is

highly dependent upon the monsoon. Thus, the firm is exposed to agro climatic risks.

• Competitive and fragmented industry

The firm is exposed to intense market competition in the agro industry with organised as well as unorganised players.

Analytical Approach

SMERA has taken a standalone view of the financial and business risk profiles of Shree Hari Om Foods (SHOF).

Outlook: Stable

SMERA believes that the outlook for SHOF will remain Stable over the medium term owing to its experienced promoters. The outlook may be revised to Positive if the firm achieves more than expected revenue while improving its profit margins and capital structure. Conversely, the outlook may be revised to Negative in case of lower than expected revenues and profitability or deterioration in the capital structure.

About the Rated Entity - Key Financials

In FY2015-16 the firm achieved operating income of Rs.66.73 cr with Profit After Tax (PAT) of 0.05 cr as compared to operating income of Rs.63.49 cr with PAT of 0.04 cr a year earlier. The networth of the firm stood at Rs.5.24 cr in FY2015-16 as compared to 5.16 cr a year earlier. The networth of Rs.5.24 cr in FY2015-16 includes quasi equity of Rs.2.63 cr.

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

India Ratings & Research, vide release dated February, 2016 has suspended the ratings of the firm on account of lack of adequate information for monitoring of ratings.

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>

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	14.00	SMERA BB- / Stable

Contacts

Analytical	Rating Desk
Vinayak Nayak Head – Ratings Operations Tel: 022-67141190	Varsha Bist Sr. Executive Tel: 022-67141160

vinayak.nayak@smera.in	varsha.bist@smera.in
--	--

Shashank Shukla
Rating Analyst
Tel: 011-49731302
shashank.shukla@smera.in

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, D&B and leading public and private sector banks in India. SMERA is registered with SEBI, accredited by RBI as an External Credit Assessment Institution (ECAI), under BASEL-II norms for undertaking Bank Loan Ratings. SMERA Bond Ratings is a division of SMERA Ratings Limited responsible for ratings of bank facilities, and capital market/money market debt instruments such as Bonds, Debentures, Commercial Papers, Fixed Deposits, Certificate of Deposits etc.. 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.