

Press Release

SHREE HARI OM FOODS

February 06, 2018

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 19.50 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA BB-**' (**read as SMERA BB minus**) on the Rs. 19.50 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 management and second line of management**

The promoters, by 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 58 in FY 2016-17 as compared to 76 days a year earlier. This is due to improvement in inventory days to 38 days in FY 2016-17 as compared to 55 days in FY2015-16.

- **Proximity to raw material sources**

The firm is located in Nising; Haryana which has proximate to raw material sourcing areas. The firm procures the raw material from Uttar Pradesh, Punjab, and Haryana and sell in Delhi, Madhya Pradesh, Haryana and U.P.

- **Moderate financial risk profile**

The firm has moderate financial risk profile marked by gearing of 1.83 times as on March 31, 2017 against 21.93 percent in FY2015-16. Moreover, the interest coverage ratio stood moderate at 1.28 times in FY2016-17 against 1.22 times in FY2015-16. The operating margin stood at 1.61 per cent in FY2016-17 against 2.38 per cent in FY2015-16. The firm has moderate operating income of Rs.79.95 crore in FY2016-17, an improvement from Rs.66.73 crore in FY2015-16. The firm achieved operating income of ~Rs.65.00 crore till December 2017.

- **Comfortable liquidity profile**

The firm has comfortable liquidity profile marked by average cash credit utilisation of 40.00 percent from April 2017 to December 2017. The current ratio of the firm stood at 1.38 times in FY2016-17 as compared to 1.37 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 considered standalone financials and business risk profile of the company to arrive at the rating.

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

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	79.95	66.73	63.49
EBITDA	Rs. Cr.	1.29	1.59	1.56
PAT	Rs. Cr.	0.08	0.05	0.04
EBITDA Margin (%)	(%)	1.61	2.38	2.46
PAT Margin (%)	(%)	0.10	0.07	0.07
ROCE (%)	(%)	5.66	7.91	13.85
Total Debt/Tangible Net Worth	Times	1.83	1.93	2.66
PBDIT/Interest	Times	1.28	1.22	1.24
Total Debt/PBDIT	Times	7.05	6.35	8.77
Gross Current Assets (Days)	Days	58	76	114

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

None

Any other information

None

Applicable Criteria

- 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)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
17-Feb-2017	Cash Credit	Long Term	INR 14	SMERA BB- / Stable

*Annexure - Details of instruments rated

Name of the	Date of	Coupon Rate	Maturity	Size of the Issue	Ratings/Outlook
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Facilities	Issuance		Date	(Rs. Cr.)	
Cash Credit	Not Applicable	Not Applicable	Not Applicable	13.50	SMERA BB- / Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA BB- / Stable (Reaffirmed)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.00	SMERA BB- / Stable (Reaffirmed)

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ABOUT SMERA

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