

Press Release

Raj Foods Industries

March 04, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs.11.00 Cr
Long Term Rating	SMERA B+/Stable (Assigned)
Short Term Rating	SMERA A4 (Assigned)

*Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B+** (read as SMERA B plus) and short term rating of '**SMERA A4** (read as SMERA A four) on the Rs.11.00 crore bank facilities of Raj Foods Industries (RFI). The outlook is '**Stable**'.

Raj Foods Industries (RFI), established in 2000, was promoted by Mr. Tikam Das Sadhwani. The firm is engaged in the processing of rice and has installed capacity of 57,600 MTPA for milling and 31,680 MTPA for sorting.

List of key rating drivers and their detailed description

Strengths:

Experienced management: Mr. Tikam Das Sadhwani, the proprietor possesses experience of over two decades in the aforementioned business.

Proximity to raw material sourcing areas: The processing facility is located at Rajim, Chhattisgarh - one of the major rice producing regions in India.

Weaknesses:

Small scale of operations: The scale of operations continues to be small with operating income of Rs. 26.26 cr for FY2015-16 as compared to Rs.24.01 cr in the previous year. The improvement in operating income was due to increase in orders from customers and higher capacity utilisation. Further, the firm has reported operating income of Rs.14.21 cr (provisional) for FY2017 (9M).

Stretched liquidity position: The liquidity position is stretched as the average cash credit limit utilisation stood at 99.53 percent for the last six months ended 31 January, 2017.

Competitive and fragmented industry: Rice milling is a highly competitive industry with low entry barriers resulting in intense competition from the organised as well as unorganised players.

Proprietorship constitution: The firm is exposed to capital withdrawal risk on account of the proprietorship constitution of the firm.

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

Applicable Criteria

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

Outlook: Stable

SMERA believes that the outlook for RFI will remain stable over the medium term owing to the management's experience in the rice milling business. The outlook may be revised to Positive if the firm achieves higher than expected revenue and improvement in profitability while effectively managing its working capital cycle. Conversely, the outlook may be revised to Negative in case of larger-than expected debt funded capex or deterioration in the liquidity profile.

About the Rated Entity – Key Financials

In FY2015-16, RFI reported net profit of Rs.0.28 cr on operating income of Rs. 26.26 cr, as compared to net profit of Rs. 0.24 cr on operating income of Rs. 24.01 cr in the previous year.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	FY2017			FY2016		FY2015		FY2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	7.00	SMERA B+/Stable (Assigned)	-	-	-	-	-	-
Term Loan	LT	2.00	SMERA B+/Stable (Assigned)	-	-	-	-	-	-
Bank Guarantee	ST	2.00	SMERA A4 (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.	7.00	SMERA B+/Stable (Assigned)
Term Loan	N.A	N.A	30 th April, 2023	2.00	SMERA B+/Stable (Assigned)
Bank Guarantee	N.A	N.A	N.A.	2.00	SMERA A4 (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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