

## Press Release

09 March, 2017

### Shree Ram Agro Industries

#### Rating Assigned

<b>Total Bank Facilities Rated *</b>	Rs. 14.50 Cr.
<b>Long Term Rating</b>	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. 14.50 crore bank facilities of Shree Ram Agro Industries. The outlook is '**Stable**'.

Shree Ram Agro Industries (SRAI), established in 1997 as a partnership firm is engaged in the processing and trading of raw cotton, cotton seed oils and cakes.

#### Key Rating Drivers

##### Strengths

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

Shree Ram Agro Industries was established in 1997 by Mr. Pramod Kumar, Mrs. Kiran, Mrs. Priti, Mr. Abhishesk and Mr. Amol Kumar as a partnership firm. The day-to-day operations are led by the abovementioned who possess extensive experience in the industry.

- **Moderate financial risk profile**

The firm has moderate financial risk profile marked by gearing of 1.26 times as on March 31, 2016 against 1.36 percent in FY2014-15. Moreover, the interest coverage ratio stood moderate at 1.17 times in FY2015-16 against 1.19 times in FY2014-15. The operating margin stood at 2.45 per cent in FY2015-16 against 2.46 per cent in FY2014-15. The firm has moderate operating income of Rs.70.02 crore in FY2015-16, that improved from Rs.68.24 cr in FY2014-15. The firm achieved operating income of ~Rs.40.00 cr till November 2016.

##### Weaknesses

- **Stretched liquidity**

The firm has stretched liquidity position marked by average cash credit utilisation of ~99 percent for the period October 2015 to September 2016.

- **Competitive and fragmented industry**

The firm is exposed to intense market competition from organised as well as unorganised players. The profitability has been low at around 0.20 per cent in FY2016, which improved from 0.18 per cent in the previous year.

- **Agro climatic risks**

Cotton, the main raw material is a seasonal crop and production of the same is highly dependent upon the monsoon. Thus inadequate rainfall may affect the availability of cotton in adverse weather conditions.

### Analytical Approach

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

### Outlook: Stable

SMERA believes that the outlook for SRAI will remain Stable over the medium term owing to the experienced promoters. The outlook may be revised to Positive if the firm achieves more than expected revenue while improving 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

The Madhya Pradesh-based, SRAI, established in 1997 as a partnership firm was promoted by Mr. Pramod Kumar, Mrs. Kiran, Mrs. Priti, Mr. Abhisheshk and Mr. Amol Kumar. The firm is engaged in the processing and trading of raw cotton, cotton seed oil and cakes. In FY2015-16 the firm achieved operating income of Rs.70.02 crore with Profit after Tax (PAT) of 0.14 cr as compared to operating income of Rs. 68.24 cr with PAT of 0.12 cr a year earlier. The networth stood at Rs.6.64 cr (includes quasi equity of Rs.4.48 crore) in FY2015-16 as compared to Rs.6.12 cr (includes quasi equity of Rs. 4.03 cr) a year earlier.

### 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)

Not Applicable

### \*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	12.00	SMERA BB- / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	2.50	SMERA BB- / Stable

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**ABOUT SMERA**

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