

Press Release

09 March, 2017

Shree Ram Agro Industries

Rating Assigned

Total Bank Facilities Rated *	Rs. 14.50 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. 14.50 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. Abhishesk 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

Contacts:

Analytical	Rating Desk
Vinayak Nayak, Head –Ratings Operations, SMERA Bond Ratings Tel: 022-67141190 Email: vinayak.nayak@smera.in Shashank Shukla Rating Analyst Tel: 011-49731302 shashank.shukla@smera.in	Varsha Bist, Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. 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.