

Press Release

Kamla Rice & General Mills (KRGM)

10 April, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs.9.60 Cr
Long Term Rating	SMERA BB-/Stable (Assigned)

*Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-** (read as SMERA double B minus) on the Rs.9.60 crore bank facilities of Kamla Rice & General Mills (KRGM). The outlook is '**Stable**'.

KRGM, established in 1994 at Karnal, Haryana is engaged in the milling and processing of rice.

List of key rating drivers and their detailed description:

Strengths:

Experienced management and long track record of operations: KRGM was incorporated in 1994. The proprietor, Mr. Vipin Goel, has extensive experience in the rice milling business.

Moderate financial risk profile: The moderate financial risk profile is marked by moderate interest coverage of 1.50 times in FY2016 as against 1.54 times in the previous year. The gearing ratio stands high at 2.25 times in FY2016 and 1.89 times in FY2015. The operating margin stands moderate at 4.65 per cent in FY2016 as compared to 4.54 per cent in FY2015. The profitability margin stands low at 0.66 per cent in FY2016 as against 0.63 per cent in FY2015.

Weaknesses:

Risk related to economic conditions of the export countries: The firm is in the processing and milling of rice and exports the same to South Africa, Saudi Arab, Dubai among others. As a result, the firm is exposed to risks related to changes in political or economic conditions of the export countries. Any slowdown in the economic conditions may adversely impact the flow of orders.

Competitive and fragmented business: The firm faces intense competition in the rice industry.

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

Outlook: Stable

SMERA believes that the firm will maintain a stable outlook owing to the management's extensive experience in the rice milling business and long track record of operations. The outlook may be revised to 'Positive' in case of sustained increase in revenues and accruals while improving its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenues and accruals or elongation of working capital cycle.

About the Firm

KRGM, established in 1994 is a Karnal-based proprietorship concern. The firm is engaged in the milling and processing of basmati and non-basmati rice and has an installed capacity of 1920 ton rice per month. The firm sells its products under the 'Good wish' brand name.

For FY2015-16, KRGM reported (profit after tax) PAT of Rs.0.20 crore on operating income of Rs.30.25 crore as compared with PAT of Rs.0.20 crore on operating income of Rs.31.62 crore for FY2014-15. The net worth stands at Rs.3.98 crore as on 31 March, 2016 as compared with Rs.3.86 crore a year earlier. The net worth of Rs.3.98 crore in FY2016 includes quasi equity of Rs.2.57 crore.

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	2017			2016		2015		2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit**	LT	9.45	SMERA BB-/Stable (Assigned)	-	-	-	-	-	-
Term Loan	LT	0.15	SMERA BB-/Stable (Assigned)	-	-	-	-	-	-

**Interchangeability with Packing Credit & Post Shipment Credit (FDB) with Cash Credit

**Overdraft Against Book Debt (ODBD) of Rs.2.00 crore is a sublimit of Cash Credit

*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	9.45	SMERA BB-/Stable (Assigned)
Term Loan	N.A	N.A	December, 2019	0.15	SMERA BB-/Stable (Assigned)

**Interchangeability with Packing Credit & Post Shipment Credit (FDB) with Cash Credit

**Overdraft Against Book Debt(ODBD) of Rs.2.00 crore is a sublimit of Cash Credit

Note on complexity levels of the rated instrument:

<https://www.smera.in/criteria-complexity-levels.htm>

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ABOUT SMERA

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