

Press Release

Shri Ram Rice Unit

April 21, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 45.00 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**) on the Rs. 45.00 crore bank facilities of Shri Ram Rice Unit. The outlook is '**Stable**'.

Shri Ram Rice Unit (SRU), established in 1991 is a Haryana-based partnership firm. The firm is engaged in the milling and processing of basmati and non-basmati rice and has an installed capacity of 6 metric ton rice per hour. The firm procures raw material i.e. paddy from the local market and sells rice in the domestic as well as international markets.

Key Rating Drivers

Strengths

- **Experienced management**

The group, promoted by Mr. Sadhu Ram and family has long track record of operations in the rice industry. The business is also joined by the second generation.

- **Moderate financial risk profile**

The moderate financial risk profile is marked by networth of Rs.19.93 cr as on 31 March, 2016 supported by unsecured loan of Rs.13.17 cr treated as quasi equity in FY2016. The unsecured loan is treated as quasi equity as the loan is subordinated to the bank loan facilities availed by the firm. The interest coverage of the group stands at 1.54 times in FY2016 as against 1.40 times in the previous year. Further, the gearing of the group stands moderate at 2.65 times in the FY2016 as compared to 3.52 when compared to its viz-a-viz peers. The moderate gearing is on account of moderate Net worth of Rs.19.93 cr as against total debt of Rs.52.80 cr in FY2015-16. Further, the total debt includes term loan of Rs. 0.70 cr and cash credit of ~ Rs 51.75 cr. The group reported revenue of ~Rs.160.00 cr till 31 January, 2017.

Weaknesses

- **Risks related to economic conditions of the export countries**

The group exports rice to Dubai and hence is exposed to risks related to economic conditions of the export countries. Any slowdown may adversely impact order inflow of the group.

- **Volatility in revenue**

The operating income stood at Rs.167.28 cr in FY2016 as compared to Rs.262.48 cr in FY2015. The operating income has been uneven during FY2015 to FY2016 on account of fall in the prices of rice in the international market.

- **Volatility in margins**

The profitability is susceptible to volatility in the prices of basmati as well as non-basmati rice. The group operates in a highly competitive industry due to low entry barriers which results in intense competition from both the organised as well as unorganised players in the industry.

Analytical Approach

While assigning the rating, SMERA has taken into account the consolidated operational and financial performance of Shri Ram Rice Unit (SRU) and S R Overseas (SRO). The consolidation is in view of the common management and manufacturing facilities as well as significant operational and financial linkages. The group is herein referred to as Shri Ram Group.

Outlook: Stable

SMERA believes that the group will maintain a stable outlook in the medium term on the back of the experience of its promoters. The outlook may be revised to 'Positive' in case of improvement in revenue, capital structure or profitability. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in revenue and or a large debt capex.

About the Group

The group, promoted by Mr. Sadhu Ram and family in 1991 is engaged in the milling and processing of rice through two firms - Shri Ram Rice Unit (SRU) and S R Overseas (SRO). The installed capacities of each of the firms stand at 6 metric tons per hour (SRU) and 5 metric tons per hour (SRO). SRU was established in 1991 while SRO was set up in 2013. The firms procure raw material i.e. paddy from the local market, process the same and sell rice in the domestic as well as international markets. SRO is led by Mr. Rakesh Kumar, Mr. Sahil Singla, Mrs. Meena Singla and Mrs. Sunita Singla. For FY2016, the group reported profit after tax (PAT) of Rs.1.39 cr on operating income of Rs.167.28 cr, as compared with PAT of Rs.1.52 cr on operating income of Rs.262.48 cr in FY2015. The net worth stood at Rs.19.93 cr as on March 31, 2016 against Rs.20.19 cr a year earlier. The net worth of Rs.20.19 cr in FY2016 includes quasi equity of Rs.13.17 cr.

About the Rated Entity - Key Financials

For FY2016, the firm reported profit after tax (PAT) of Rs.1.07 cr on operating income of Rs.125.27 cr, as compared with PAT of Rs.1.02 cr on operating income of Rs.184.73 cr in FY2015. The net worth stood at Rs.14.22 cr as on March 31, 2016 against Rs.14.78 cr a year earlier. The net worth of Rs.14.22 cr in FY2016 includes quasi equity of Rs.9.84 cr.

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	45.00	SMERA BB / Stable

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ABOUT SMERA

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