

Press Release

Kissan Riceland Private Limited (KRPL)

May 10, 2017

Rating Reaffirmed

| | |
|-------------------------------------|-------------------------------|
| Total Bank Facilities Rated* | Rs.23.80 Cr |
| Long Term Rating | SMERA BB-/Stable (Reaffirmed) |

*Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long-term rating of '**SMERA BB-**' (read as **SMERA double B minus**) on the Rs.23.80 crore bank facilities of Kissan Riceland Private Limited (KRPL). Further SMERA has withdrawn the rating of '**SMERA BB-**' (read as **double B minus**) on the Rs.2.00 crore bank facilities. The outlook remains '**Stable**'.

Kissan Riceland Private Limited (the erstwhile Kissan Rice Mills) established in 1984 is a Haryana-based company engaged in the milling and processing of basmati and non-basmati rice. The installed capacity of 13 MTPA. The company is promoted by Mr. Sushil Kumar, Mr. Tarsem Chand and Mr. Ashok Garg who possess over a decade of experience in the agro industry. The company procures the raw material i.e. paddy from local markets and sells under the 'Satya' brand.

List of key rating drivers and their detailed description:

Strengths:

Experienced management and long track record of operations: KRPL was incorporated in 1984. The promoters, Mr Sushil Garg, Mr Tarsem Chand Garg and Mr Ashok Garg possess experience of over two decades in the rice milling business which helped develop long term relations with customers.

Proximity to rice growing areas: The manufacturing facility is located at Kaithal (Haryana), which offers proximity to raw material source. The company procures raw material (paddy) from local mandis in Haryana as well as from Uttar Pradesh.

Weaknesses:

Average financial risk profile: The average financial profile is marked by moderate gearing ratio of 1.66 times in FY2016 as compared to 2.07 times in FY2015. The interest coverage ratio stands moderate at 1.25 times in FY2016 as compared to 1.37 times in FY2015. The net profitability stood low at 0.20 percent in FY2016 as compared to 0.42 percent in FY2015. The operating margin stood low at 2.70 percent in FY2016 as against 3.10 percent last year. The RoCE stood moderate at 8.34 percent in FY2016 as compared to 8.35 percent in FY2015.

Agro climatic risk: Paddy, the main raw material required for rice is a seasonal crop and production of the same is highly dependent upon the monsoon season. Thus inadequate rainfall may affect the availability of paddy under adverse weather conditions.

Intense competition: The company operates in a highly fragmented industry with limited entry barriers wherein the presence of large number of players in the unorganized sector limits the bargaining power with customers.

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

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 company will continue to benefit over the medium term from its promoters extensive industry experience. The outlook may be revised to 'Positive' in case of sustained and substantial increase in scale of operations and profitability leading to improvement in the financial risk profile. Conversely, the outlook may be revised to 'Negative' if the company reports lower accruals due to decline in profitability levels or if it undertakes debt funded capex.

About the Rated Entity - Key Financials

For FY2016, KRPL reported PAT of Rs.0.26 cr on operating income of Rs.133.67 cr as compared to Rs.0.46 cr on operating income of Rs.108.87 cr for FY2015. The net worth stood at Rs.13.67 cr in FY2016 as against Rs.12.79 cr in the last 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 | FY 2017 | | | FY 2016 | | | | FY 2014 | | FY 2013 | |
|--------------------------------------|---------|--------------------------------------|-------------------------------|--------------|-------------------------------|--------------|-----------------------------|---------|--------|---------|--------|
| | Scale | Amount (Rs. Crore) | Rating with Outlook | Date | Rating | Date | Rating | Date | Rating | Date | Rating |
| Cash Credit | LT | 20.00 (enhanced from Rs.18.00 crore) | SMERA BB-/Stable (Reaffirmed) | 04 Feb, 2016 | SMERA BB-/Stable (Reaffirmed) | 28 Dec, 2015 | SMERA BB-/Stable (Assigned) | - | - | - | - |
| Term Loan | LT | 1.57 | SMERA BB-/Stable (Reaffirmed) | 04 Feb, 2016 | SMERA BB-/Stable (Reaffirmed) | 28 Dec, 2015 | SMERA BB-/Stable (Assigned) | - | - | - | - |
| Stand by Line of Credit | LT | 1.00 | SMERA BB-/Stable (Reaffirmed) | 04 Feb, 2016 | SMERA BB-/Stable (Reaffirmed) | 28 Dec, 2015 | SMERA BB-/Stable (Assigned) | - | - | - | - |
| Warehouse Receipt | LT | 2.00 | SMERA BB-/Stable (Withdrawn) | 04 Feb, 2016 | SMERA BB-/Stable (Assigned) | - | - | - | - | - | - |
| Proposed Working Capital Demand Loan | LT | 1.23 | SMERA BB-/Stable (Reaffirmed) | 04 Feb, 2016 | SMERA BB-/Stable (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 | 20.00 (enhanced from Rs.18.00 crore) | SMERA BB-/Stable (Reaffirmed) |
| Term Loan | N.A | N.A | Not Available | 1.57 | SMERA BB-/Stable (Reaffirmed) |
| Stand by Line of Credit | N.A | N.A | N.A | 1.00 | SMERA BB-/Stable (Reaffirmed) |
| Warehouse Receipt | N.A | N.A | N.A | 2.00 | SMERA BB-/Stable (Withdrawn) |
| Proposed Working Capital Demand Loan | N.A | N.A | N.A | 1.23 | SMERA BB-/Stable (Reaffirmed) |

Note on complexity levels of the rated instrument:
<https://www.smerra.in/criteria-complexity-levels.htm>
Contacts:

| Analytical | Rating Desk |
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| Vinayak Nayak, Head – Ratings Operations, SMERA Bond Ratings Tel: 022-67141190 Email: vinayak.nayak@smerra.in | Varsha Bist Sr. Executive Tel: 022-67141160 Email: varsha.bist@smerra.in |
| Mrinal Mahip, Executive Analyst, Rating Operations Tel: 011-49731304 Email: mrinal.mahip@smerra.in | |

ABOUT SMERA

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