

Press Release

Shree Krishna Rice Mills (SKRM)

May 19, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs.18.00 Cr
Long Term Rating	SMERA B+/Stable (Assigned)

**Refer Annexure for details*

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B+**' (read as **SMERA B plus**) on the Rs.18.00 crore bank facilities of Shree Krishna Rice Mills (SKRM). The outlook is '**Stable**'.

Shree Krishna Rice Mills (SKRM), established in 2009 is a partnership firm is promoted by Mr. Ravi Gupta (partners), Mr. Krishan Chand (partners) and Mrs. Urmila Gupta (partners). The firm is engaged in the milling and processing of basmati and non-basmati rice with an installed capacity of 5 metric ton rice per hour with their manufacturing unit in Karnal (Haryana). The firm procures the raw material i.e. paddy from local market and sells the final output i.e. rice in domestic as well as international market through exporters based out of Delhi. The firm sells its rice under the brand name 'Haryana King'.

List of key rating drivers and their detailed description:

Strengths:

Experienced management& long track of operation: The partners Mr. Ravi Gupta, Mr. Krishan Chand and Mrs. Urmila Gupta have a long experience of around decade in the rice milling business.

Reputed brand name: The firm sells its basmati & non-basmati rice under the established brand name of 'Haryana King' and has an established presence in north India.

Proximity to rice growing area: The manufacturing facilities are located at Moonak, Punjab in close proximity to raw material sources. The firm procures raw material from Haryana and U.P and sells in Punjab, Haryana and exports through exporters based out of Delhi.

Weaknesses:

Modest financial risk profile:

The modest financial risk profile of the firm is marked by high gearing of 3.55 times in FY2015-16 as against 3.29 times in FY2014-15. The high gearing is attributed on account of net worth of Rs.6.17 crore (includes quasi equity of Rs.4.12 cr as subordinated to the bank's debt) as against the total debt of Rs.23.79 crore as on 31st March 2016. The total debt of Rs.23.79 cr includes the unsecured loan from promoters and affiliates of Rs.3.88 cr and short term debt of Rs. 19.88 cr. The firm reported moderate debt protection metrics evident from interest

coverage ratio of 1.19 times in FY2015-16 as against 1.21 times in FY2014-15 on account of stable profitability profile of the firm, further the firm has reported net cash accrual to total debt (NCA/TD) of 0.02 times as on 31st March 2016. SMERA believes that any further decline or non-improvement in debt protection metrics and further increase in debt to equity ratio would be key credit monitoring factor.

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

Competitive & Fragmented business: The agro commodity (rice) industry is highly competitive with multiple players coupled with low entry barrier results into intense competition from both the organised as well as unorganised players.

Analytical approach: SMERA has considered the standalone business and financial risk profile of the SKRM.

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 outlook for SKRM will remain 'Stable' over the medium term on the back of the partners' extensive experience in the rice milling business and firm's presence proximity to rice grown area. The outlook may be revised to 'Positive' in case of sustained increase in revenues and improvement in its profitability. Conversely, the outlook may be revised to 'Negative' in case significant decline in revenues and accruals or in case of elongation of working capital cycle.

About the Rated Entity

For FY2015-16, SKRM reported PAT of Rs.0.18 crores on operating income of Rs.55.69 crores as compared with PAT of Rs.0.16 crores on operating income of Rs.62.94 crores for FY2014-15. The firm's net worth stands at Rs.6.71 crores as on March 31, 2016 as compared with Rs.6.30crores as on March 31, 2015. The net worth of Rs.6.71 crore as on March 31, 2016 includes quasi equity of Rs.4.12 crore.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: 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	15.00	SMERA B+ / Stable
Warehouse Receipt	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA A4

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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