

Press Release

Sri Seetarama Agro Industries

May 24, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 10.75 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. 10.75 crore bank facilities of Sri Seetarama Agro Industries. The outlook is '**Stable**'.

Sri Seetarama Agro Industries (SSAI), established in 2009, is a Karnataka-based partnership firm, promoted by Mr. K.V.V.S Prasad, Mr. K.V. Ramakrishna and Mr. K. Adinarayan Rao. The firm is engaged in the milling of paddy and processing of parboiled rice and has installed capacity of 168 MTPD (metric tonne per day).

Key Rating Drivers

Strengths

- **Experienced management**

Mr. K.V.V.S Prasad, Mr. K. Adinarayan Rao and Mr. K.V. Ramakrishna, partners have experience of around a decade in the rice milling industry.

- **Proximity to rice growing areas**

SSAI is located at Raichur, Karnataka which offers proximity to raw material - paddy, given that the area has ample production of rice.

- **Moderate working capital management and comfortable liquidity**

SSAI has implemented working capital management efficiently marked by gross current assets (GCA) days of 88 in FY2015-16 as compared to 104 days in FY2014-15. The improvement in GCA days is evident from the inventory days of 60 and debtor days of 28 for FY2015-16. The average utilisation of cash credit has been comfortable at ~75 to 80 percent in the last six months ended March, 2017. The firm has NCA/TD (Net Cash Accruals/Total Debt) of 0.10 times in FY2015-16. The firm also has unencumbered cash and bank balance of Rs.0.26 cr as on 31 March, 2016.

Weaknesses

- **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 the monsoon. Thus, inadequate rainfall may affect the availability of paddy in adverse weather conditions.

- **Stagnant revenues**

The revenues have remained almost stagnant in FY2016 at Rs.58.28 crore compared to Rs.56.12 crore in FY2015 and Rs.56.23 crore in FY2014. The firm earned revenue of around Rs.53.16 crore in FY2017 (Provisional). The stagnancy in sales is mainly on account of intense competition from other players in the vicinity.

- **Moderate financial risk profile**

The financial risk profile is moderate marked by low net worth of Rs.8.09 crore as on March 31, 2016 as against Rs. 7.69 crore as on March 31, 2015. The gearing (Debt to equity) stood at 1.23 times as on March 31, 2016 as compared to 1.61 times as on March 31, 2015. The Interest coverage ratio (ICR) stood at a moderate level of 1.88 times in FY2015-16 as against 1.91 times in FY2014-15.

• Competitive and fragmented industry

Rice milling is a highly competitive industry due to low entry barriers which results in intense competition from both - the organised as well as unorganised players.

Analytical Approach

SMERA has considered the standalone financial and business risk profiles of SSAI to arrive at the rating.

Outlook: Stable

SMERA believes that the firm will maintain a stable outlook owing to the management's extensive experience in the rice milling business. The outlook may be revised to 'Positive' in case of sustained increase in revenues and accruals while maintaining its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenues, profitability or deterioration in its capital structure owing to higher than expected working capital requirements.

About the Rated Entity - Key Financials

For FY2015-16, the firm reported net profit after tax (NPAT) of Rs.0.45 crore on total operating income of Rs.58.28 crore as compared with NPAT of Rs.0.63 crore on total operating income of Rs.56.12 crore in FY2014-15. The net worth stood at Rs.8.09 crore as on March 31, 2016 as compared to Rs.7.69 crore as on March 31, 2015.

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	10.00	SMERA BB- / Stable
Term loans	Not Applicable	Not Applicable	30-Nov-2017	0.54	SMERA BB- / Stable
Proposed	Not Applicable	Not	1-Jan-1953	0.21	SMERA BB- / Stable

Bank Facility	Applicable		
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