

Press Release

12 June, 2017

M L Traders

Rating Assigned

Total Bank Facilities Rated *	Rs. 12.00 Cr.
Long Term Rating	SMERA B / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B** (read as SMERA B) on the Rs. 12.00 crore bank facilities of M L Traders. The outlook is '**Stable**'.

M. L. Traders (MLT) was established in 2013 as a proprietorship concern by Mr. M.L. Garg. The firm is engaged in the trading of paddy, rice husk, rice bran and rice (basmati and non-basmati). The firm purchases paddy (basmati and non-basmati both) from suppliers in Punjab and sells the same to clients in Punjab, Haryana, Uttar Pradesh and Rajasthan.

Key Rating Drivers

Strengths

- **Experienced management**

MLT was established in 2013. The proprietor, Mr. M.L Garg possesses experience of more than five years in the rice trading business.

- **Proximity to rice growing areas**

MLT is located at Mansa, Punjab which offers proximity to paddy - the main raw material.

Weaknesses

- **Weak financial risk profile**

The weak financial profile is marked by high gearing, low networth base and modest debt protection metrics. The gearing stood at 2.41 times in FY2015-16 against 1.51 times in FY2014-15. The networth has been low at Rs.4.96 cr in FY2015-16 against Rs.1.31 cr in FY2014-15. MLT's interest coverage is low and declined to 1.14 times in FY2015-16 against 1.30 times in FY2014-15. The net cash accrual (NCA)/total debt (TD) is low at 0.01 times in FY2015-16 against 0.05 times in FY2014-15.

- **Working capital intensive business**

The working capital intensity is marked by high gross current asset (GCA) days of 478 in FY2015-16 against 125 days in the preceding year. The elongation in the working capital in FY2016 has been mainly due to high inventory which increased to 457 days as compared to 27 days in the previous year. This was mainly due to year end purchase of paddy in March 2016 which was traded in the first quarter of FY2016-17.

- **Agro climatic risks**

Paddy - 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

- **Intense competition**

The firm faces intense competition from various rice players in India which is likely to have an

impact on its operating performance and profitability.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the entity.

Outlook: Stable

SMERA believes that the firm will maintain a stable outlook owing to the extensive experience of the management in the rice milling business. 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 decline in capital structure resulting in further deterioration of the financial risk profile.

About the Rated Entity - Key Financials

For FY2015-16, the firm reported profit after tax (PAT) of Rs.0.08 cr on operating income of Rs.13.09 cr, as compared with PAT of Rs.0.10 cr on operating income of Rs.9.62 cr in FY2014-15. The net worth stood at Rs.4.96 cr (including quasi equity of Rs.2.55 cr) as on March 31, 2016 against Rs.1.31 cr (including quasi equity of Rs.0.30 cr) in the previous year

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>
- Trading Entities - <https://www.smera.in/criteria-trading.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 B / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA B / Stable

Contacts:

Analytical	Rating Desk
Vinayak Nayak, Head –Ratings Operations, SMERA Bond Ratings Tel: 022-67141190 Email: vinayak.nayak@smera.in	Varsha Bist, Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in
Pradeep Kumar Bharti Analyst - Rating Operations Tel: 011-49731301 pradeep.bharti@smera.in	

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details please visit www.smera.in.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.