

Press Release

Siddarth Agro

June 22, 2017



Rating Assigned

Total Bank Facilities Rated*	Rs. 15.00 Cr.
Long Term Rating	SMERA B / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B**' (**read as SMERA B**) and short term rating of '**SMERA A4**' (**read as SMERA A four**) on the Rs. 15.00 crore bank facilities of Siddarth Agro. The outlook is '**Stable**'.

The Andhra Pradesh-based Siddarth Agro (SA), established in 2015 is a partnership firm promoted by Mr. Raghuram Gurram and Mr. Suresh K. The firm manufactures and processes fruit pulp, jams and jellies and ready-to-eat food products and also undertakes job work. The installed capacity stands at 11,000 metric tons.

Key Rating Drivers

Strengths

- **Experienced management**

SA, a partnership firm established in 2015 was promoted by Mr. Raghuram Gurram and Mr. Suresh K. The promoters possess experience of over two decades in food processing.

- **Proximity to raw materials**

The processing facility of SA is located at Chittoor district, a well known fruit cluster with good road connectivity.

Weaknesses

- **Nascent stage of operations**

SA expects to commence operations from March 2018. The total project cost of Rs. 17.50 is expected to be funded through a term loan of Rs.11.50 crore and promoters contribution of Rs.6.00 crore. The nascent stage of operations exposes the firm to high project implementation and offtake risk. Any delay in project completion could lead to cost overruns thereby impacting the credit profile of the firm.

- **Susceptibility of margins**

Adverse weather conditions can affect the production of fruits impacting operating performance of the firm.

- **Partnership constitution**

The partnership constitution of the firm exposes it to the risk of capital withdrawal.

Analytical Approach

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

Outlook: Stable

SMERA believes that SA will maintain a stable outlook in the medium term on the back of its experienced management. The outlook may be revised to 'Positive' if the firm commences operations on time and generates adequate net cash accruals. Conversely, the outlook may be revised to 'Negative' in case of delays in project implementation impacting net cash accruals or if the firm registers deterioration in the capital structure.

About the Rated Entity - Key Financials

Not Applicable

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
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.50	SMERA B / Stable
Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	11.50	SMERA B / Stable
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.50	SMERA A4
Proposed Letter of Credit	Not Applicable	Not Applicable	Not Applicable	0.50	SMERA A4

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ABOUT SMERA

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