

Press Release

18 July, 2017



Shree Subhlaxmi Foods Limited (SSFL)

Rating Assigned

Total Bank Facilities Rated*	Rs.15.00 Cr
Long Term Rating	SMERA B/Stable (Assigned)
Short Term Rating	SMERA A4 (Assigned)

*Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA B**' (**read as SMERA B**) on the Rs.15.00 crore (fund based) facilities of Shree Subhlaxmi Foods Limited (SSFL). The outlook is '**Stable**'.

Incorporated in 2014, Shree Subhlaxmi Foods Limited (SSFL) was promoted by Mr. Sudhir Maheshwari, Mr. Udit Maheshwari and others. The company is engaged in the processing of basmati rice at Mainpuri, Uttar Pradesh. The installed capacity stands at 4 tons per hour. SSPL started its operations in May 2015.

List of key rating drivers and their detailed description

Strengths:

Experienced management: The company was promoted in 2014 by Mr. Sudhir Maheshwari, Mr. Udit Maheshwari and others. The management possesses extensive experience in the rice milling business .

Modest working capital cycle: The working capital management of the company is modest marked by Gross Current Asset (GCA) days of 114 days in FY'2016. The debtors and inventory stood at 10 days and 80 days respectively in FY2016. The inventory mainly consists of raw paddy apart from processed rice and rice bran. The customers comprise mainly exporters and receivables have been tightly controlled.

Weaknesses:

Modest scale of operations: The modest scale of operations is marked by operating income of Rs.18.82 crore in FY2016. While the revenue almost doubled to around Rs.34 crore till 31 March, 2017 (Provisional), it continues to be at relatively moderate levels.

Weak financial risk profile: The weak financial risk profile is marked by modest debt protection metrics, high gearing and low net worth base. The interest coverage ratio and debt service coverage ratio were 1.51 times and 1.33 times respectively in FY2016. The gearing stood at 6.04 times and 4.66 times in FY2016 and FY2015 respectively. In FY2016, the loans mainly comprise term loans of Rs.3.33 crore for setting up of manufacturing facilities and working capital loan of Rs.3.53 crore and unsecured loans. The net worth stood low at Rs.1.32 crore as on 31 March, 2016.

Analytical approach: SMERA has taken a standalone view of the business and financial risk profiles of the company.

Applicable Criteria

- Manufacturing Entities- <https://www.smerra.in/criteria-manufacturing.htm>
- Application of Financial Ratios and Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>
- Default Recognition - <https://www.smerra.in/criteria-default.htm>

Outlook: Stable

SMERA believes that SSFL will maintain a stable outlook over the medium term while benefitting from its experienced management. The outlook may be revised to 'Positive' if SSFL scales up operations while also improving profitability and its financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected growth in revenues or if the working capital cycle deteriorates.

About the Rated Entity

Incorporated in 2014, Shree Subhlaxmi Foods Limited (SSFL) was promoted by Mr. Sudhir Maheshwari, Mr. Udit Maheshwari and others. The company is engaged in the processing of basmati rice and has an installed capacity of 4 tons per hour. The manufacturing facility is located at Mainpur, Uttar Pradesh.

For FY2016, SSFL reported loss of Rs.-0.01 crore on total operating income of Rs.18.82 crore. The tangible net worth stands at Rs.1.32 crore as on 31st March 2016.

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

Any other information: None

Rating History for the last three years:

Name of Instrument /Facilities	FY2017			FY2016		FY2015		FY2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit (Hypothecation)	Long Term	7.00	SMERA B/ Stable (Assigned)	-	-	-	-	-	-
Cash Credit (Hypothecation)	Long Term	3.25	SMERA B/ Stable (Assigned)						
Term Loan	Long Term	3.60	SMERA B/ Stable (Assigned)	-	-	-	-	-	-
Foreign Letter of Credit	Short Term	1.15	SMERA A4						

***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 (Hypothecation)	N.A	N.A	N.A	7.00	SMERA B/ Stable (Assigned)
Cash Credit (Hypothecation)	N.A	N.A	N.A	3.25	SMERA B/ Stable (Assigned)
Term Loan	N.A	N.A	N.A	3.60	SMERA B/ Stable (Assigned)
Foreign Letter of Credit	N.A	N.A	N.A	1.15	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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