

Press Release

SR Overseas

May 09, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 16.00 Cr.
Long Term Rating	SMERA BB / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB**' (read as **SMERA BB**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 16.00 crore bank facilities of SR Overseas. The outlook is '**Stable**'.

S R Overseas (SRO) established in 2013 is a Karnal (Haryana) based partnership firm. The firm was promoted by Mr. Rakesh Kumar, Mr. Sahil Singla, Mrs. Meena Singla and Mrs. Sunita Singla. The firm is engaged in the milling and processing of basmati and non-basmati rice and has an installed capacity of 5 metric ton per hour. The firm procures raw material (paddy) from the local market and sells rice in the domestic as well as international markets.

Key Rating Drivers

Strengths

- **Experienced management and long track record of operations**

The group was established in 1991. The group was promoted by Mr. Sadhu Ram and family who possess extensive experience in the rice industry. The business is also joined by the second generation.

- **Moderate financial risk profile**

The moderate financial risk profile is marked by moderate networth of Rs.19.93 cr as on 31st March, 2016 supported by unsecured loan of Rs.13.17 cr treated as quasi equity in FY2016. The unsecured loan is treated as quasi equity as the loan is subordinated to the bank. The interest coverage of the group stood at 1.54 times in FY2016 as against 1.40 times in the previous year. Further, the gearing of the group has been moderate at 2.65 times in FY2016 as compared to 3.52 compared to its peers. The moderate gearing is on account of moderate net worth of Rs.19.93 cr as against total debt of Rs.52.80 cr in FY2015-16. Further, the total debt includes term loan of Rs. 0.70 cr and cash credit of ~ Rs 51.75 cr. The group reported revenue of ~Rs.160.00 cr till 31st January, 2017.

Weaknesses

- **Volatility in revenue**

The operating income stood at Rs.167.28 cr in FY2016 as compared to Rs.262.48 cr in FY2015. The operating income has been uneven for the period FY2015 to FY2016 on account of fall in the prices of rice in the international market.

- **Risks related to economic conditions of the export countries**

The group exports rice mainly to Dubai and hence is exposed to risks related to economic conditions of the export country. Any slowdown may adversely impact order flow of the group.

• Volatility in margins

The profitability is susceptible to volatility in the prices of basmati as well as non-basmati rice. The group operates in 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

While assigning the rating, SMERA has taken into account the consolidated operational and financial performance of Shri Ram Rice Unit (SRU) and S R Overseas (SRO). The consolidation is in view of the common management, common manufacturing facilities as well as significant operational and financial linkages. The group is herein referred to as Shri Ram Group.

Outlook: Stable

SMERA believes that the group will maintain a stable outlook in the medium term owing to the experience of its promoters. The outlook may be revised to 'Positive' in case of improvement in revenue, capital structure and improvement in profitability. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in revenue and or large debt funded capex.

About the Group

The group was established in 1991 with the establishment of Shri Ram Rice Unit as the primary entity. Further in 2013, S R Overseas was established. The group was promoted by Mr. Sadhu Ram and family. The group is engaged in the milling and processing of rice and has two firms - Shri Ram Rice Unit (SRU) and S R Overseas (SRO). For FY2016, the group reported profit after tax (PAT) of Rs.1.39 cr on operating income of Rs.167.28 cr, as compared with PAT of Rs.1.52 cr on operating income of Rs.262.48 cr in FY2015. The net worth stood at Rs.19.93 cr as on March 31, 2016 against Rs.20.19 cr a year earlier. The net worth of Rs.20.19 cr in FY2016 includes quasi equity of Rs.13.17 cr.

About the Rated Entity - Key Financials

For FY2016, the firm reported profit after tax (PAT) of Rs.0.32 cr on operating income of Rs.42.01 cr, as compared with PAT of Rs.0.50 cr on operating income of Rs.77.75 cr in FY2015. The net worth stood at Rs.5.71 cr as on March 31, 2016 against Rs.7.41 cr a year earlier. The net worth of Rs.5.71 cr in FY2016 includes quasi equity of Rs.3.33 cr.

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	Not	5.00	SMERA BB / Stable

		Applicable	Applicable		
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	11.00	SMERA A4+

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ABOUT SMERA

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