

Press Release

SR Overseas

July 06, 2018



Rating Reaffirmed

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

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE BB**' (**read as ACUITE double B**) and short-term rating of '**ACUITE A4+**' (**read as ACUITE A four**) on the Rs.16.00 crore bank facilities of S R OVERSEAS. The outlook is '**Stable**'.

S R Overseas (SRO), established in 2013, is a Karnal (Haryana) based partnership firm. However, the operation of the firm was started in 2014. The firm is managed and promoted by Mr. Rakesh Kumar, Mrs. Meena Singla and Mrs. Sunita Singla. The firm is engaged in milling and processing of basmati and non-basmati rice. The firm is having installed capacity of 7 metric ton rice per hour.

Analytical Approach:

While assigning the rating, Acuité has taken into account the consolidated operational and financial performance of Shri Ram Rice Unit (SRRU) and S R Overseas (SRO). The consolidation is in view of common management, corporate guarantee as well as significant operational and financial linkages. Together the group is referred as Shri Ram Group.

Key Rating Drivers

Strengths

- Experienced management and long track of operation**

The group was established in 1991 reflecting a long track of operation of more than two decades in the rice industry. The group is promoted by Mr. Sadhu Ram and his family, who possesses experience of over two decades in the rice milling industry. The business is also joined by second generation of the family and is benefited by long experienced management.

- Proximity to raw material**

The group has a manufacturing unit at Karnal (Haryana) with installed capacity of 8 metric tonnes of rice per hour. Karnal is a major rice producing region and enables easy access to raw material i.e. paddy.

Weaknesses

- Average financial risk profile**

The financial risk profile of the group is average marked by high gearing ratio of 3.40 times in FY2017 as compared to 2.65 times in FY2016. The interest coverage ratio of the group stood at 2.03 times in FY2017 as against 1.54 times in the previous year. The operating margins of the group stood moderate at 3.96 percent in FY2017 as compared to 4.11 percent in FY2016. The profitability margin stood at 1.41 percent in FY2017 as compared to 0.83 percent in FY2016.

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

The group is in the processing and milling of rice and exports the same to Iran, Turkey, UAE, Kuwait, Saudi Arabia, thereby exposing it to the risk related to economic conditions of the export countries. Any slowdown in the economic conditions of these countries may adversely impact the orders inflow of the group.

- **Agro climatic risks**

Paddy, the main raw material required for rice milling is a seasonal crop and production of the same is highly dependent on the monsoon. Thus, inadequate rainfall may affect the availability of paddy in adverse weather conditions.

- **Competitive and fragmented nature of rice milling business**

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 in the industry.

Outlook: Stable

Acuité believes that the outlook for the group will remain 'Stable' over the medium term on account of the management's extensive experience in the rice milling business. The outlook may be revised to 'Positive' if the firm achieves higher than expected revenue and net cash accruals while effectively managing its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the liquidity profile or financial risk profile due to larger than expected debt funded capex.

About the Group

The group promoted by Mr. Sadhu Ram and family in 1991 is engaged in the milling and processing of rice through two firms - Shri Ram Rice Unit (SRRU) and S R Overseas (SRO). The installed capacities of each of the firms stand at 6 metric tons per hour (SRRU) and 5 metric tons per hour (SRO). SRRU was established in 1991 while SRO was set up in 2013. The firms procure raw material i.e. paddy from the local market, process the same and sell rice in the domestic as well as international markets.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	197.52	167.28	262.48
EBITDA	Rs. Cr.	7.82	6.88	9.27
PAT	Rs. Cr.	2.79	1.39	1.52
EBITDA Margin	(%)	3.96	4.11	3.53
PAT Margin	(%)	1.41	0.83	0.58
ROCE	(%)	7.68	7.26	9.50
Total Debt/Tangible Net Worth	Times	3.40	2.65	3.52
PBDIT/Interest	Times	2.03	1.54	1.40
Total Debt/PBDIT	Times	9.92	7.52	7.60
Gross Current Assets (Days)	Days	174	148	129

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Consolidation Of Companies - <https://www.acuite.in/view-rating-criteria-22.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
09-May-17	Cash Credit	Long term	5.00	ACUITE BB/Stable (Assigned)
	Packing Credit	Short Term	11.00	ACUITE A4+ (Assigned)

*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	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BB/Stable (Reaffirmed)
Packing Credit	Not Applicable	Not Applicable	Not Applicable	11.00	ACUITE A4+ (Reaffirmed)

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About Acuité Ratings & Research:

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