

Press Release

SPS Agronico India Llp

August 26, 2017



Rating Assigned

Total Bank Facilities Rated*	Rs. 32.00 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. 32.00 crore bank facilities of Sps Agronico India Llp (SPS). The outlook is '**Stable**'.

The Bangalore-based SPS, incorporated in 2015 is engaged in the manufacturing of raw basmati rice. The company, promoted by Ms Savitri Purushottam, Ms Savitri Jayapradha, Mr Savitri Srikar Nag, Ms Savitri Bhavana and others has installed capacity of 280 tpd. Commercial operations are expected to begin from December 2017.

Key Rating Drivers

Strengths

- **Experienced management**

The promoters of the company Ms Savitri Purushottam, Ms Savitri Jayapradha, Mr Savitri Srikar Nag and others have more than three decades of experience in the rice industry. The company is part of the Savitri group. The other companies of the group include Sri Raghavendra Parboiled Industries, Sri Raghavendra Agro Trading Company, Sri Raghavendra Agrotech Industries.

Weaknesses

- **No track record of operations**

The operations are expected to begin from December 2017.

- **Moderate project risk**

The total project cost of Rs 22.48 crore is expected to be funded by term loan of Rs 16.00 crore and the balance from promoters own funds. Around 71 per cent of the project is debt funded. The project is exposed to timely implementation and execution risk. The timely completion of the project will remain the key rating sensitivity factor.

- **Susceptibility of profit margins to volatility in raw material prices**

The major raw material - paddy is an agro product and availability of the same depends upon the monsoon. Changes in agro climatic conditions may interrupt the supply of paddy.

Analytical Approach

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

Outlook: Stable

SMERA believes that SPS will maintain a stable outlook over the medium term owing to its promoters' vast experience in the agro industry. The outlook may be revised to 'Positive' if the company achieves more than envisaged sales and profitability by commencing operations on time. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve envisaged revenue and profitability or if the financial risk profile deteriorates owing to higher-than-expected increase in debt-

funded working capital requirements.

About the Rated Entity - Key Financials

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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	15.00	SMERA B / Stable
Term loans	Not Applicable	Not Applicable	31-Mar-2027	16.00	SMERA B / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA B / Stable

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