



Press Release

Sri Bangar Srinivas Agro Foods

October 04, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 7.50 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 plus**) on the Rs. 7.50 crore bank facilities of Sri Bangar Srinivas Agro Foods. The outlook is '**Stable**'.

Sri Bangar Srinivas Agro Foods (SBSAF) established in 2006 is a Karnataka-based partnership firm engaged in rice milling. The firm, promoted by Mr. R. P. Govindraj and Mr. R. P. Krishnamurthy has an installed capacity of 128 tonnes per day. It caters to dealers in Karnataka.

Key Rating Drivers

Strengths

- **Established track record of operations**

SBSAF is engaged in rice milling activity since a decade. The firm procures paddy from Karnataka and Andhra Pradesh and sells the same to dealers in Karnataka. The long track record of operations has helped the firm establish healthy relations with customers and suppliers. Further, the partners, Mr. R. P. Krishnamurthy and Mr. R. P. Govindraj collectively possess more than a decade of experience in the rice milling business

- **Proximity to raw materials**

The processing facility of SBSAF is located at Raichur, Karnataka - one of the major rice producing states in India. The firm procures around 90 percent of its total rice requirement from Karnataka and the balance from Andhra Pradesh.

Weaknesses

- **Average financial risk profile**

The financial risk profile is average marked by net worth of Rs.5.26 crore (Provisional) as on 31 March, 2017 as against Rs.2.20 crore in the previous year. The gearing stood at 1.54 times (Provisional) as on 31 March, 2017 as against 2.54 times in the previous year. The interest coverage ratio stood at 1.69 times (Provisional) in FY2017 compared to 1.66 times in the previous year. The net cash accrual to total debt (NCA/TD) stood at 0.07 times (Provisional) as on 31 March, 2017 and 0.10 times in the previous year.

- **Working capital intensive operations**

The operations are working capital intensive evident from the gross current asset days at 105 in FY2017 (Provisional) as against 60 days in FY2016. The elongated gross current asset days are on account of stretched inventory days of 61 and debtor days at 47 for FY2017 (Provisional). Further, the working capital cycle stood at 104 days (Provisional) for FY2017 as against 52 days in the previous year. However, the liquidity position of the firm is comfortable with average cash credit limit utilisation of 80 percent for the last six months ended 30 June, 2017.

- **Agro climatic risks**

Paddy, the main raw material required for rice is a seasonal crop and production of the same is highly dependent upon the monsoon. Hence, adverse weather conditions may affect the availability of paddy.

• Competitive and fragmented nature of the 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.

• Partnership constitution

The firm is exposed to capital withdrawal risk on account of its partnership constitution.

Analytical Approach

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

Outlook: Stable

SMERA believes that the outlook for SBSAF will remain stable over the medium term on account of its established operational track record and experienced management. The outlook may be revised to 'Positive' if the firm registers significant growth in revenue and profitability while effectively managing its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in the liquidity profile or financial risk profile due to higher than expected working capital requirement or major debt funded capex.

About the Rated Entity - Key Financials

For FY2016-17, SBSAF reported profit after tax (PAT) of Rs.0.26 crore (Provisional) on operating income of Rs.36.47 crore (Provisional) compared to PAT of Rs.0.25 crore on operating income of Rs. 34.68 crore in the previous year. The net worth increased to Rs.5.26 crore (Provisional) as on 31 March, 2017 from Rs.2.20 crore a year earlier.

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 Applicable	Not Applicable	7.50	SMERA B+ / Stable

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ABOUT SMERA

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