

Press Release

KBR AGRO INDUSTRIES

January 27, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 11.00 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (read as **SMERA BB minus**) on the Rs. 11.00 crore bank facilities of KBR AGRO INDUSTRIES. The outlook is '**Stable**'.

The Haryana-based partnership firm, KBR Agro Industries (KAI) established in 2013 is engaged in the milling and processing of Basmati rice at Karnal (Haryana). The firm has milling, sorting and grading capacity of 8 Tonnes Per Hour (TPH) and caters to a reputed client base including Chaman Lal Setia Exports Ltd, GRM Overseas Ltd, and Bharat Cereals Pvt Ltd.

Key Rating Drivers

Strengths

- **Experienced management**

KAI was established in 2013 by Mr. Bhagwan Dass Singla, his wife Mrs. Adesh Singla and Mr. Krishan Murari Singla who possess extensive experience in the rice industry.

- **Proximity to rice growing areas**

The manufacturing facility is located at Karnal (Haryana) in close proximity to major rice producing states in India. A number of rice mandi's are located at Haryana and Uttar Pradesh that enable easy procurement of raw material (paddy).

- **Moderate financial risk profile**

The moderate financial risk profile is marked by networth of Rs.6.80 crore as on 31March, 2017 supported by unsecured loan of Rs.4.70 crore treated as quasi equity in FY2017. The Interest Coverage Ratio of the firm stood at 1.52 times in FY2017 as against 1.47 times in the previous year. The Net Cash Accrual to Total Debt (NCA/TD) stood at 0.06 percent in FY2017 and 0.04 percent in FY2016. The adjusted gearing stood at a moderate 1.62 times in FY2017. The total debt of the firm stood at Rs.11.03 crore which includes long term debt of Rs.1.40 crore and short term working capital loan of Rs. 9.63 crore. SMERA expects the financial risk profile of the firm to remain at current levels over the medium term backed by steady accruals in the absence of major capex plans.

Weaknesses

- **Competitive and fragmented industry**

The firm is exposed to intense competition from small, medium and large players in the domestic market.

- **Agro climatic risk**

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

Analytical Approach

SMERA has considered the standalone business and financial risk profiles to arrive at the rating.

Outlook: Stable

SMERA believes that the firm will maintain a stable outlook in the medium term on account of the management's extensive experience in the rice milling business and established relationships with customers. The outlook may be revised to 'Positive' in case of sustained increase in revenues and accruals while maintaining its working capital cycle. Conversely the outlook may be revised to 'Negative' in case of significant decline in revenues and accruals or elongation of working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	72.38	39.45	29.49
EBITDA	Rs. Cr.	1.97	1.46	0.96
PAT	Rs. Cr.	0.17	0.07	0.06
EBITDA Margin	(%)	2.73	3.70	3.27
PAT Margin	(%)	0.24	0.17	0.20
ROCE	(%)	8.83	8.23	12.10
Total Debt/Tangible Net Worth	Times	1.62	2.52	1.84
PBDIT/Interest	Times	1.52	1.47	1.81
Total Debt/PBDIT	Times	5.48	7.70	6.57
Gross Current Assets (Days)	Days	84	153	120

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

Not Applicable

Any other information

Not Applicable

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	8.00	SMERA BB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA BB- / Stable
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA BB- / Stable

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