

Press Release

Saaj Agro Foods Private Limited

February 12, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 9.90 Cr.
Long Term Rating	SMERA B- / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B-**' (read as **SMERA B minus**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs. 9.90 crore bank facilities of Saaj Agro Foods Private Limited. The outlook is '**Stable**'.

The Kolkata-based Saaj Agro Foods Private Limited (SAFPL) was incorporated in 2014. The company, promoted by Mr Sushil Kumar Agarwal and Ms Akshita Saraf Agarwal is engaged in the manufacturing of raw non-basmati parboiled rice at Burdwan, West Bengal. The installed capacity stands at 120 tpd. The company plans to start commercial operations by end of FY2018.

Key Rating Drivers

Strengths

- **Proximity to raw material**

Since the manufacturing facility is located at West Bengal, one of the major rice producing states in India, the company enjoys locational advantage and proximity to raw material - paddy.

Weaknesses

- **No track record of operations**

The company is yet to start commercial operations.

- **Susceptibility of profitability margins**

The main raw material - paddy is an agricultural commodity and availability of the same is dependent on various factors including the monsoon, minimum support prices and other financial incentives announced by the government. Any change in the aforementioned may interrupt the supply of paddy. Hence, profitability margins are susceptible to variations in agro climatic conditions, fluctuations in raw material prices and unfavourable changes in government policies.

- **Project risk**

Around 67 per cent of the total project cost of Rs 8.69 crore (funded by term loan of Rs 5.80 crore and the balance from promoters own funds) is debt funded. The project is exposed to timely implementation and execution risk. The timely completion of the project without any delay will remain the key rating sensitivity factor.

Analytical Approach

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

Outlook: Stable

SMERA believes that SAFPL will maintain a stable outlook over the medium term owing to its promoters vast experience. 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 its 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. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	31-May-2023	5.80	SMERA B- / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.80	SMERA B- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.30	SMERA A4

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ABOUT SMERA

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