

Press Release

Sri Gurudatta Agro Foods

March 12, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 7.50 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. 7.50 crore bank facilities of SRI GURUDATTA AGRO FOODS. The outlook is '**Stable**'.

Established in 2018, Sri Gurudatta Agro Industries (SGAI) is a partnership concern promoted by Mr. R.K Yellesh Kumar and Mr. K R Nikhil. The company is engaged in the milling and processing of non-basmati par boiled rice. The firm procures directly from farmers in the Tungabhadra river belt and caters to adjoining region of Bengaluru, Mysore and state of Tamil Nadu. The entity has unit located in Bellary (Karnataka) with installed capacity of 80 tons/day.

Key Rating Drivers

Strengths

- **Experienced Management**

SGAI is promoted by Mr. R.K Yellesh Kumar who possesses extensive experience in rice milling and processing industry .Further the day to day operations are managed by Mr. K R Ramesh who possess more than two decade of experience in rice milling industry by virtue of his association with Sri Gurudatta Rice Industries (SGRI) in the capacity of a partner for a decade.

- **Proximity to raw materials**

The processing facility of SGAI is located in Bellary which is one of the major rice producing area in Karnataka, thus providing proximity to paddy and contributes to the total rice requirement of the entity. The entity procures rice directly from farmers in the Tungabhadra river belt.

- **Established customer base**

The extensive experience of Mr. K R Ramesh in SGRI helped him develop long term relation with customers based in Bengaluru, Mysore and the state of Tamil Nadu. SGAI benefits from this established customer base and the same provides revenue visibility for the medium term.

Weaknesses

- **Nascent stage of operation**

The operations of SGAI commenced in January 2018 and hence are at nascent stage. However, the firm draws support from established market presence of Sri Gurudatta Rice Industries. SMERA believes that sustainable profitability and efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

- **Highly competitive and fragmented industry**

SGAI operates in the highly fragmented rice milling industry with several medium and large players. The fragmented and competitive nature of the industry limits the bargaining power of the firm with customers and suppliers. Further volatility in farm harvest prices is an inherent risk affecting the profitability as well as inventory management of the firm

Analytical Approach

For arriving at the rating, SMERA has taken a consolidated view on the business and financial risk profiles of Sri Gurudatta Agro Industries and Shri Gurudatta Rice Mills. The aforementioned entities are collectively referred to as "Gurudatta". The consolidation is in view of similar line of business, and common management

Outlook: Stable

SMERA believes the outlook of SGAI will remain 'Stable' owing to its experienced promoters. 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 significant decline in revenues and accruals or in case of elongation of working capital cycle.

About the Group

Sri Gurudatta Agro Industries is part of Gurudatta group that has more than a decade of experience in rice milling industry by virtue of its other concern Sri Gurudatta Rice Industries. The group is managed by Mr. Ramesh who have more than three decade of experience in this industry.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	46.71	57.63	0.00
EBITDA	Rs. Cr.	1.37	1.36	0.00
PAT	Rs. Cr.	0.56	0.00	0.00
EBITDA Margin	(%)	2.92	2.36	2.09
PAT Margin	(%)	1.20	0.97	0.92
ROCE	(%)	11.87	12.32	23.10
Total Debt/Tangible Net Worth	Times	1.48	2.15	1.58
PBDIT/Interest	Times	2.32	2.46	2.95
Total Debt/PBDIT	Times	4.26	4.81	4.11
Gross Current Assets (Days)	Days	70	60	50

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>
- Consolidation Of Companies-<https://www.smera.in/criteria-consolidation.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	Not Applicable	0.92	SMERA BB- / Stable

Cash Credit	Not Applicable	Not	Not	6.50	SMERA BB- / Stable
		Applicable	Applicable		
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.08	SMERA BB- / Stable

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ABOUT SMERA

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