

Press Release

Shri Krishna Agro Industries

September 21, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 12.00 Cr.
Long Term Rating	ACUITE B / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B**' (**read as ACUITE B**) to the Rs. 12.00 crore bank facilities of Shri Krishna Agro Industries (SKAI). The outlook is '**Stable**'.

SKAI promoted by Mr. Ved Prakash is a proprietorship firm engaged in processing of rice bran with a product mix comprising crude rice bran oil and de-oiled rice bran. Established in September 2011, the firm operates from its production unit located at Nissing in Karnal district of Haryana with an installed capacity of 200 MTPD.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of Shri Krishna Agro Industries to arrive at the rating.

Key Rating Drivers:

Strengths

- **Extensive experience of the proprietor in the agro processing industry**

The Proprietor has extensive experience in the business of rice milling of over three decades by virtue of his association with the entities named Mansa Devi Rice Mills and M.D. Agro foods involved in similar line of business.

- **Comfortable Liquidity Position**

SKAI's liquidity position is comfortable and the same is reflected in Gross Current Asset (GCA) days of 62 in FY2018 (Provisional) as against 66 in FY2017 and low utilisation of working capital limits over the last one year. The GCA days are mainly dominated by inventory of 47 days. The firm is required to maintain inventory of raw material like hexen and rice bran given the need to purchase the same in bulk.

- **Locational advantage**

The main raw material of the firm is rice bran. The unit is located in Nissing (Karnal) which ensures continuous supply of rice bran from mills located nearby. Other raw materials required includes hexen and tuda among others which are also sourced locally from Hindustan Petroleum Limited and farmers respectively.

Weaknesses

- **Modest scale of operations**

The scale of operation is modest with operating revenue of Rs.87.20 crore in FY2018 (Provisional) as compared to Rs.130.35 crore in FY2017. The decline has been attributed to unfavorable market condition and decline in price of refined rice bran oil.

- **Weak financial risk profile**

The financial risk profile is marked by low net worth of Rs.7.86 crore as on 31 March, 2018 (Provisional) as compared to Rs.7.74 crore as on 31 March, 2017 and gearing of 1time in FY2018 (Provisional) as against 1.04 times in FY2017. The total debt stood at Rs.7.89 crore of which Rs.7.57 crore is in the form of short term borrowing and the remaining is term loan. Interest Coverage Ratio is comfortable at 2.14 times for FY2018 (Provisional) as against 2.00 times for FY2017.

- **Competitive nature of industry and exposure to agro climaticrisks**

The firm faces intense competition due to fragmented nature of the edible oil industry and easy availability of substitutes with different varieties of edible oils present in the market. Further, the operation is exposed to agro-climatic risks which can cause volatility in raw material prices and impact the profitability of the unit.

Outlook: Stable

Acuité believes that the outlook on SKAI will remain 'Stable' over the medium term on account of the experienced management. The outlook may be revised to 'Positive' if there is improvement in financial risk profile and scale of operations. Conversely, the outlook may be revised to 'Negative' in case of any deterioration in the financial risk profile and scale of operations.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	87.20	130.35	102.24
EBITDA	Rs. Cr.	0.57	0.67	0.64
PAT	Rs. Cr.	0.13	0.13	0.10
EBITDA Margin (%)	(%)	0.65	0.51	0.63
PAT Margin (%)	(%)	0.15	0.10	0.09
ROCE (%)	(%)	3.05	3.61	8.96
Total Debt/Tangible Net Worth	Times	1.00	1.04	11.80
PBDIT/Interest	Times	2.14	2.00	1.85
Total Debt/PBDIT	Times	10.58	12.02	14.21
Gross Current Assets (Days)	Days	62	66	49

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.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	ACUITE B / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE B / Stable

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About Acuité Ratings & Research:

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