

December 18, 2014

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	5.00	SMERA B/Stable (Assigned)
Term Loan	0.65	SMERA B/Stable (Assigned)

SMERA has assigned a long-term rating of **'SMERA B' (read as SMERA single B)** to the abovementioned bank facilities of Kumar Industries (KI). The outlook is **'Stable'**. The rating is primarily constrained by the firm's weak financial profile and small-scale operations in an intensely competitive segment of the rice processing industry. The rating is further constrained by the firm's exposure to agro-climatic risk. However, the rating is supported by the firm's experienced management. The rating also draws comfort from the location advantage available to the firm.

KI, established in 2007, is a Punjab-based partnership firm engaged in processing and trading of rice. KI's weak financial risk profile is marked by high gearing (debt-to-capital ratio) of 4.60 times as on March 31, 2014. The firm's net profit margin has declined from 1.47 per cent in FY2012-13 (refers to financial year, April 01 to March 31) to 0.72 per cent in FY2013-14. KI has moderate-scale operations marked by revenue of Rs.9.10 crore in FY2013-14. The firm faces intense competition from several players in the rice processing industry. KI is exposed to the risk of adverse changes in climatic conditions which may affect the availability of paddy.

KI benefits from its experienced management. The partners of the firm have around ten years of experience in the rice processing industry. KI's processing unit is in proximity to raw material sourcing areas in Punjab (a major rice growing state in India).

Outlook: Stable

SMERA believes KI will maintain a stable business risk profile over the medium term. The firm will continue to benefit from its established operations and experienced management. The outlook may be revised to 'Positive' in case the firm registers significant growth in profitability and cash accruals. The outlook may be revised to 'Negative' in case of significant decline in the firm's revenues and cash accruals, or in case of stretch in the firm's working capital cycle.

About the firm

KI, established in 2007, is a Punjab-based partnership firm promoted by Mr. Raj Kumar and Mr. Vivek Kumar. KI undertakes processing and trading of rice. The firm has a milling unit in Jalalabad, Punjab.

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SMERA RATINGS LIMITED

Kumar Industries (KI)

Rating Rationale

For FY2013–14, KI reported profit after tax (PAT) of Rs.0.07 crore on operating income of Rs.9.25 crore, as compared with PAT of Rs.0.07 crore on operating income of Rs.4.68 crore in FY2012–13. The firm's net worth stood at Rs.0.40 crore as on March 31, 2014, as compared with Rs.0.36 crore a year earlier.

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