



SMERA RATINGS LIMITED

Capital Agro Exports Private Limited (Capital Agro)

Rating Rationale

August 12, 2013

Facilities	Amount (Rs. Crores)	Rating
Cash Credit	7.00	SMERA B /Stable/Assigned

SMERA has assigned a rating of '**SMERA B**' (read as **SMERA single B**) to the Rs.7.00 crores long term facilities (fund based) of Capital Agro Exports Private Limited (Capital Agro). The Outlook is '**Stable**'. The rating is mainly constrained by the company's small scale of operations in a highly competitive and fragmented rice industry, uneven revenue trend and exposure to raw material price volatility. The rating is supported by the company's 15-year established track record of operations and experienced management.

Capital Agro is a Punjab-based company engaged in shelling and processing of rice. Despite a long operational track record, the company has a small scale of operations with FY2012-13 (refers to financial year, April 01 to March 31) revenues at Rs.18.44 crores. Moreover, the company registered consistent decline in revenues with negative revenue CAGR of 16.35 per cent over FY2008-09 to FY2011-12 on account of increased focus on job work. In FY2012-13, Capital Agro changed its business model by discontinuing job work and focusing entirely on shelling and processing of rice under its own brand, 'Ganesh Bhog'.

Capital Agro operates in a highly fragmented industry. Furthermore, the company is also exposed to intense competition from several MSME units located across Punjab. Capital Agro follows a moderate leverage policy with debt-to-equity ratio at 0.69 times as on March 31, 2012. As per VAT returns of FY2012-13, the company achieved revenues of Rs.18.44 crores as compared with projected revenues of Rs.25.00 crores.

Capital Agro is headed by Mr. Hari Prakash Sharma, Managing Director, who has more than 30 years of experience in the company's line of business. The company has an experienced second line of management.

Outlook: Stable

Capital Agro has a 'Stable' outlook. SMERA believes that Capital Agro will continue to maintain its scale of operations on the back of its experienced management and continuous capacity expansion. However, the company's ability to scale up its operations while managing profitability and achieving efficient working capital management remains the key rating sensitivity.

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About the company

Capital Agro was established as Nestle Agro Export Private Limited (Nestle Agro) on May 08, 1998 by Mr. Pawan Kumar Mittal and Mr. Rajinder Kumar Mittal, who later withdrew from directorship in 2007. On May 31, 1999, Nestle Agro was renamed as Capital Agro Exports Private Limited. On July 21, 1999, Mr. Hari Prakash Sharma and Mr. Surinder Kumar Aggarwal joined Capital Agro as directors. Presently, the company's board has four directors namely, Mr. Hari Prakash Sharma, Mr. Surinder Kumar Aggarwal, Mr. Vaishno Dass Aggarwal and Mr. Rajan Kumar Sharma.

Capital Agro is a Punjab-based company involved in shelling and processing rice of various varieties including Basmati and Parmal. The company sells its products (under its own brand 'Ganesh Bhog') to local brokers who further cater to large enterprises including KRBL, Amira Foods, Lal Quila Amritsar and Lal Mahal.

Mr. Hari Prakash Sharma, Managing Director, has 30 years of experience in the same line of business and is supported by a qualified and experienced second line of management.

For FY2011-12, Capital Agro reported net profit of Rs.0.22 crores on total income of Rs.7.11 crores as compared with net profit of Rs.0.16 crores on total income of Rs.4.76 crores for FY2010-11. As per VAT returns of FY2012-13, Capital Agro reported revenues of Rs.18.44 crores.

Contact List

Media/Business Development	Analytical Contacts	Rating Desk
Mr. Virendra Goyal, VP, SME - Sales Tel : +91-22-67141177 Cell : +91 99300 74009 Email: virendra.goyal@smera.in Web: www.smera.in	Mr. Umesh Nihalani, Head – Corporate Ratings Tel: +91-22-67141106 Cell: +91 98336 51336 Email: umesh.nihalani@smera.in	Tel: +91 22 6714 1170 Email: ratingdesk@smera.in

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