

August 08, 2014

| Facilities | Amount (Rs. Crore) | Ratings |
|------------------|-----------------------|---------------------------|
| Term Loans | 1.90 | SMERA B/Stable (Assigned) |
| Cash Credit | 6.00 | SMERA B/Stable (Assigned) |
| Letter of Credit | 0.42 | SMERA A4 (Assigned) |

SMERA has assigned ratings of '**SMERA B**' (read as **SMERA single B**) and '**SMERA A4**' (read as **SMERA A four**) to the abovementioned bank facilities of Shri Krishna Oil & General Mills (SKOGM). The outlook is '**Stable**'. The ratings are constrained by the firm's small operating scale in an intensely competitive segment of the food processing industry. The ratings are also constrained by the decline in the firm's revenues in FY2012-13 (refers to financial year, April 01 to March 31). The ratings factor in risks related to the firm's weak financial risk profile. However, the ratings are supported by the firm's established track record of operations and experienced management.

SKOGM, established in 1989, is a Punjab-based partnership firm engaged in processing of rice. SKOGM also undertakes trading of oil, oil seed cakes and food grains. The firm's small operating scale is reflected in revenues of Rs.19.32 crore in FY2012-13. SKOGM faces intense competition from several players in the food processing industry.

The firm's weak debt protection metrics are reflected in high leverage (debt-to-capital ratio) of 4.83 times and low net worth of Rs.1.22 crore as on March 31, 2013. Moreover, SKOGM's interest coverage ratio is low at 1.84 times in FY2012-13.

SKOGM benefits from its experienced management. Mr. Vishal Gupta, partner of SKOGM, has around 16 years of experience in the firm's line of business.

Outlook: Stable

SMERA believes SKOGM will maintain a stable business risk profile over the medium term. The firm will continue to benefit from its established track record of operations and experienced management. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected growth in revenues while achieving sustained improvement in profit margins and debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case the firm fails to achieve the projected scalability amidst intensifying competition in its areas of operation, or in case of deterioration in the firm's financial risk profile on account of higher-than-expected increase in debt-funded working capital requirements.

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SMERA RATINGS LIMITED

Shri Krishna Oil & General Mills (SKOGM)

Rating Rationale

About the firm

SKOGM, established in 1989, is a Punjab-based partnership firm promoted by Mr. Vishal Gupta and Mr. Sandeep Gupta. SKOGM is engaged in processing of rice. The firm also undertakes trading of oil, oil seed cakes and food grains.

For FY2012–13, SKOGM reported profit after tax (PAT) of Rs.0.44 crore on operating income of Rs.19.32 crore, as compared with PAT of Rs.0.05 crore on operating income of Rs.12.10 crore in FY2011–12. Further, the firm reported net profit of Rs.0.65 crore (provisional) on total income of Rs.26.55 crore (provisional) in FY2013–14. SKOGM's net worth stood at Rs.1.22 crore as on March 31, 2013.

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