

June 05, 2015

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	9.50	SMERA B/Stable (Reaffirmed)
Term Loan	2.47*	SMERA B/Stable (Reaffirmed)

**Letter of credit to the extent of Rs.0.42 crore converted in to Term Loan*

SMERA has reaffirmed the rating of '**SMERA B** (read as **SMERA single B**) on the above bank facilities of Shri Krishna Oil & General Mills (SKOGM). The outlook is '**Stable**'. The rating remains constrained in view of the firm's working capital-intensive nature of operations, weak financial risk profile, small scale of operations and uneven profit margins. The rating notes that the firm's financial profile is susceptible to volatility in commodity prices and adverse changes in trade regulations. Besides, the rating also takes into account the firm's exposure to intense competition in the food and agro industry. However, the ratings are supported by the firm's experienced management and established track record of operations.

Update

SKOGM's small operating scale is reflected in revenues of Rs. 26.53 crore in FY2013-14 which declined to Rs. 20.63 crore (provisional) in FY2014-15. The firm's net profit margin improved to 2.84 per cent (provisional) in FY2014-15 from 0.57 per cent in the previous year. Likewise, the operating margin of SKOGM increased significantly to 11.21 per cent (provisional) in FY2014-15 from 5.10 per cent in the previous year. The firm's weak debt protection metrics is reflected in high leverage of 6.99 times as on March 31, 2014 and 4.83 times (provisional) in FY2014-15. Moreover, SKOGM's interest coverage ratio is low at 1.18 times in FY2013-14. The firm faces intense competition from several players in the food and agro industry.

SKOGM, established in 1989, is a Punjab-based partnership firm engaged in the production and processing of rice and trading of food grains. The firm is headed by Mr. Vishal Gupta, partner who 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

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of deterioration in the firm's financial risk profile on account of higher-than-expected increase in debt-funded working capital requirements.

About the Firm

SKOGM, established in 1989, is a Punjab-based partnership firm promoted by Mr. Vishal Gupta and Mr. Sandeep Gupta. The firm is engaged in the processing of rice and trading of food grains and continues to benefit from its experienced management.

For FY2013-14, SKOGM reported profit after tax (PAT) of Rs.0.15 crore on operating income of Rs.26.53 crore, as compared with PAT of Rs.0.44 crore on operating income of Rs.19.32 crore in FY2012-13. Further, the firm registered a net profit of Rs.0.59 crore (provisional) on total income of Rs.20.63 crore (provisional) in FY2014-15. SKOGM's net worth stood at Rs.1.29 crore as on March 31, 2014.

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