

Shri Krishna Oil & General Mills (SKOGM): Reaffirmed

Name of the Instrument	Amount (Rs Crore)	Rating/Outlook
Cash Credit	9.50	SMERA B/Stable (Reaffirmed)
Term Loan	2.47	SMERA B/Stable (Reaffirmed)

SMERA has reaffirmed the rating of '**SMERA B** (read as SMERA B) on the above bank facilities of Shri Krishna Oil & General Mills (SKOGM). The outlook is '**Stable**'.

The rating remains constrained by the firm's working capital-intensive operations, weak financial risk profile, small scale of business 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 rating is supported by the experienced management and established track record of operations.

Update

For FY2014-15 (refers to financial year, April 01 to March 31), SKOGM registered net profit of Rs.0.39 crore on operating income of Rs.20.65 crore as against net profit of Rs.0.68 crore on operating income Rs.26.53 in FY2013-14. As per provisional data for FY2015-16, the firm booked revenue of ~Rs.37.5 crore.

The operating margin of SKOGM improved from 5.10 per cent in FY2013-14 to 7.59 per cent in FY2014-15. The financial risk profile deteriorated in FY2014-15 with increase in debt-equity ratio of 7.83 times as against 6.99 times in FY2013-14. Going forward, the firm is expected to remain highly leveraged as the debt-equity will be in the range of 5-6 times. The interest coverage ratio deteriorated from 1.92 in FY2013-14 to 1.31 times in FY2014-15.

Rating Sensitivity Factors

- Scaling up operations while maintaining profit margins
- Efficient working capital management

Outlook-Stable

SMERA believes that the outlook of SKOGM will remain stable owing to the long operational track record and experience of the promoters in the business. The outlook may be revised to 'Positive' if SKOGM is able to scale up operations with improvement in profitability margins. Conversely, the outlook may be revised to 'Negative' in case of additional working capital borrowings leading to deterioration in the overall gearing or further weakening of profitability margins.

Criteria applied to arrive at the rating:

- Trading Entities

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 FY2014–15, SKOGL reported net profit of Rs.0.39 crore on operating income of Rs.20.65 crore, as compared with profit after tax (PAT) of Rs.0.0.68 crore on operating income of Rs.26.53 crore in FY2013–14.

Rating History

Date	Name of the Instrument	Amount (Rs. Crore)	Rating		Rating Outlook
			Long Term	Short Term	
05 June, 2015	Cash Credit	9.50	SMERA B	-	Stable
	Term Loan	2.47	SMERA B	-	Stable
08 August, 2014	Cash Credit	6.00	SMERA B	-	Stable
	Term Loan	1.90	SMERA B	-	Stable
	Letter of Credit	0.42	-	SMERA A4	

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ABOUT SMERA

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