



Press Release

Shri Krishna Oil & General Mills

September 26, 2017

Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 11.97 Cr.
Long Term Rating	SMERA B / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long-term rating of **'SMERA B' (read as SMERA B)** on the Rs. 11.97 crore bank facilities of Shri Krishna Oil And General Mills. The outlook is **'Stable'**.

Shree Krishna Oil and General Mill (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, production of oil seed cakes and trading of food grains.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

SKOGM commenced operations in 1989. The management is led by Mr. Vishal Gupta and Mr. Sandeep Gupta who have around 18 years of experience in the business.

- **Significant growth in revenues**

SKOGM registered significant growth of Rs. 52.22 crore in revenue in FY2016-17 as against Rs. 37.08 crore in FY2015-16 and Rs. 20.65 crore in FY2014-15. This is on account of the additional flour mill set up in May 2015.

- **Improvement in working capital cycle**

SKOGM has registered improvement in working capital cycle. The GCA days stood at 102 in FY2016-17 (Provisional) as against 142 in FY2015-16. Further, the working capital cycle days stood at 59 in FY2016-17 (Provisional) as against 142 in FY2015-16. This is on account of low inventory holding period of 32 days in FY2016-17 as against 97 days in FY2015-16. The debtor days stood at a low of 32 in FY2016-17 (Provisional) and 46 in FY2015-16.

Weaknesses

- **Moderate scale of operations**

The scale of operations has been moderate marked by operating income of Rs. 52.22 crore for FY2016-17 (Provisional) as against Rs. 37.08 crore for FY2015-16 despite operations commencing around over two decades back.

- **Average financial risk profile**

The financial risk profile has been average marked by low net worth of Rs.1.98 crore as on 31 March, 2017 (Provisional) as against Rs.2.09 crore a year earlier. The gearing stood high at 7.66 times as on 31 March, 2017 (Provisional) as against 7.15 times as on 31 March, 2016. The total debt outstanding as on 31 March, 2017 of Rs. 15.15 crore consists of Rs. 2.25 crore as interest free loans from partners, Rs. 1.21 crore as a term loan and Rs.11.69 crore as working capital borrowing. The Interest Coverage ratio stood at 1.64 times in FY2017 (Provisional) as against 2.10 times in FY2016. The net cash accruals stood at Rs. 0.63 crore in FY2017 (Provisional) as against Rs. 1.36 crore in FY2016.

• Decline in margins

SKOGM registered declining margin trends. The EBITDA margin stood at 3.03 per cent in FY2017 (Provisional) as against 6.92 per cent in FY2016 and 7.59 percent in FY2015. This is majorly on account of fluctuation in raw material prices. The PAT margins stood at a low of 0.30 per cent in FY2017 (Provisional) as against 0.38 per cent in FY2016 and 0.60 per cent in FY2015.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of Shri Krishna Oil and General Mills to arrive at the rating.

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.

About the Rated Entity - Key Financials

For FY2016-17 (Provisional), SKOGM reported PAT of Rs.0.16 crore on operating income of Rs. 52.22 crore as against PAT of Rs.0.14 crore on operating income of Rs.37.08 crore for FY2015-16. The net worth stood at Rs.1.98 crore as on 31 March, 2017 against Rs.2.09 crore a year earlier.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
13-Jun-2016	Cash Credit	Long Term	INR 9.5	SMERA B / Stable
	Term Loan	Long Term	INR 2.47	SMERA B / Stable
05-Jun-2015	Cash Credit	Long Term	INR 9.5	SMERA B / Stable
	Term Loan	Long Term	INR 2.47	SMERA B / Stable
08-Aug-2014	Term Loan	Long Term	INR 1.9	SMERA B / Stable
	Cash Credit	Long	INR 6	SMERA B / Stable

		Term		
	Letter of Credit	Short Term	INR 0.42	SMERA A4

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	9.50	SMERA B / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	2.47	SMERA B / Stable

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ABOUT SMERA

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