

Press Release**Shree Balajee Agro Mills Private Limited****May 06, 2019****Rating**

Instrument / Facility	Amount (Rs. Crore)	Rating	Rating Action
Long Term Bank Facilities – Cash Credit	17.00 (including proposed limit of Rs.2.00 crore)	IVR BB+ / Stable Outlook (IVR Double B plus with Stable Outlook)	Assigned
Total	17.00		

Details of Facilities are in Annexure 1**Detailed Rationale**

The aforesaid rating assigned to the bank facilities of Shree Balajee Agro Mills Private Limited (SBAMPL) derives comfort from its experienced promoters, established clientele and supplier base along with its moderate debt protection parameters. However, the rating is constrained by its small scale of operations with intense competition and exposure to Government policies. Further the rating is also tempered by its moderate working capital cycle. Ability to successfully scale up operations with increase in profitability, improvement in gearing ratios and efficient working capital management are the key rating sensitivities.

List of Key Rating Drivers with Detailed Description**Key Rating Strengths****Experienced promoters**

The operations of the company are looked after by both the promoters Mr. Manish Agrawal and Mr. Ashish Agrawal (brothers by relation and Son of Late Mr. Anant Narayan Agrawal). The promoters have vast experience of more than two decades in Dal Mill related activities.

Established clientele and supplier base

SBAMPL has a diversified and established client base across the Eastern and North Eastern states of the country mostly in West Bengal, Jharkhand and Assam. The top 10 clients accounted for 18.54% of total sales in FY18 (FY refers to the period from April 1 to March 31). The company also has a wide supplier base with top 10 suppliers accounting for 13.66% of raw material purchases in FY18.

Moderate debt protection parameters

The company only has working capital limits from banks. Debt protection parameters were moderate with interest coverage of 1.45x during FY18.

Key Rating Weaknesses

Small scale of operations and profitability

SBAMPL has a modest scale of operations with Total Operating Income of Rs.66.43 crore and PAT of Rs.0.22 crore in FY18. However, the company witnessed an improvement in its operating income and during 9MFY19 (Refers to the period from April 1 to December 31) has achieved total operating income of ~Rs.56.32 crore.

Moderate working capital cycle

The operating cycle of the company remained elongated at 94 days in FY18 due to its high inventory holding period on account of seasonal nature of the industry. However, the average working capital limit utilization remained moderate at 79.08% for the past twelve months ended November, 2018.

Intense competition in Food Processing Industry and high volatility in agro commodities

The food processing industry is characterised by stiff competition due to presence of large number of unorganised players which in turn restricts the profitability of the organised players. Moreover, the raw materials which consist of ~85% of the total cost are susceptible to price and supply fluctuations due to the vagaries of nature.

Exposure to government policies

Exposure to government policies pertaining to MSP of pulses, revision in tax policies, restriction on import of pulses etc. is an inherent risk of the agro-commodity industry. However, currently pulses are exempted from Goods and Service Tax. Further, at present there is no ban on export of pulses which is beneficial for the company.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Infomerics Valuation And Rating Pvt. Ltd.

Financial Ratios & Interpretation (Non-financial Sector)



Liquidity

The liquidity of the company remained moderate marked by current ratio and quick ratio at 1.64x and 0.30x respectively as on March 31, 2018. The average utilisation of fund-based limits was ~79% for the past 12 months ended November 2018, leading to adequate liquidity cushion. The liquidity position is expected to remain moderate in the medium term.

About the Company

Incorporated on October 01, 2002, Shree Balajee Agro Mills Private Limited (SBAMPL) is engaged in processing of Masoor Dal with a dal mill having an annual production capacity of 16,500 MT per annum located at Bodh Gaya, Bihar.

The operations of the company are looked after by Mr. Manish Agrawal and Mr. Ashish Agrawal who are brothers by relation. Prior to formation of the company both were working with their father Late Anant Narayan Agrawal who was also involved in Dal Mill related activity since 1984.

Financials (Standalone):

	(Rs. crore)	
For the year ended* / As On	31-03-2017	31-03-2018
	Audited	Audited
Total Operating Income	62.95	66.43
EBITDA	1.75	1.90
PAT	0.06	0.22
Total Debt #	14.53	9.52
Tangible Net worth	5.65	5.87
EBITDA Margin (%)	2.78	2.86
PAT Margin (%)	0.09	0.33
Overall Gearing Ratio (x) #	2.57	1.62

**Classification as per Infomerics' standards.*

#Unsecured loan from promoters' and promoters' group are subordinated to the Term Loan and hence neither considered as debt or equity. Total debt, Long term debt and debt ratios have been computed without considering subordinated debt.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Nil

Rating History for last three years with Infomerics:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17
2.	Long Term Fund Based Limits – Cash Credit	Long Term	17.00 (including proposed limit of Rs.2.00 crore)	IVR BB+ / Stable Outlook	-	-	-

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities – Cash Credit	-	-	On demand	17.00 (including proposed limit of Rs.2.00 crore)	IVR BB+ / Stable Outlook