

Balaji Overseas

| | In Rs Crore | Rating Action |
|----------------------------------|--------------|----------------------|
| Long Term Fund Based Limits | 5.88 | [ICRA]B; reaffirmed |
| Short Term Fund Based Limits | 24.00 | [ICRA]A4; reaffirmed |
| Short Term Non Fund Based Limits | 0.12 | [ICRA]A4; reaffirmed |
| Total | 30.00 | |

ICRA has reaffirmed its long term rating of [ICRA]B (pronounced ICRA B) on the Rs. 5.88 crore¹ long term fund based limits of Balaji Overseas². ICRA has also reaffirmed its short term rating of [ICRA]A4 (pronounced ICRA A four) on the firm's Rs. 24.00 crore short term fund based limits and Rs 0.12 crore short term non fund based limits.

The rating reaffirmation takes into account the 40% year-on-year decline in Balaji Overseas' Operating Income (OI) in FY2015 due to reduced demand from overseas customers, however improved realizations resulted in an expansion in the firm's profit margins.

ICRA's ratings continue to factor in the firm's small scale of operations, highly competitive nature of the rice milling industry and the vulnerability of the firm's profitability to fluctuations in raw material prices. The high gearing of the firm, arising out of substantial debt funding of working capital requirements, coupled with low profitability, has resulted in weak coverage indicators, as reflected in low interest coverage ratio of 0.92 times in FY2015. Further, the ratings continue to factor in agro climatic risks, which can impact the availability of paddy. Nevertheless the ratings favourably take into account the long standing experience of the promoters and their strong relationships with several customers and suppliers, coupled with proximity of the mill to major rice growing area which results in easy availability of paddy.

Going forward the ability of the firm to ramp up its scale of operations in a profitable manner and improve its capital structure will be the key rating sensitivities.

Firm Profile

Balaji Overseas was established in 1989 as a proprietorship firm with Mr. Kailash Chander as the proprietor. The firm together with its other group concerns i.e. Balaji International and Shri Shanker Rice Mill is engaged in the business of rice milling. Balaji Overseas is engaged in the processing and trading of rice in the domestic market as well as exporting to countries like Saudi Arabia, Dubai, Kuwait and USA. The firm sells its product under the brand name 'Sargam'. The firm's manufacturing unit is located in Pehowa, Haryana.

Recent Results

Balaji Overseas reported a net profit of Rs.0.32 crore on an OI of Rs. 195.55 crore in FY2015 as compared to a net profit of Rs. 0.80 crore on an OI of Rs. 326.69 crore in the previous year.

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¹ 1 crore=10 million

² For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications



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