

## Shri Krishna Agro Industries

Instrument	Amount Rated (Rs. crore)	Rating Action
Cash Credit	5.00	[ICRA]B-(Reaffirmed)
Unallocated	2.00	[ICRA]B-/A4 (Reaffirmed)

ICRA has reaffirmed its long term rating of [ICRA]B- (pronounced ICRA B minus) and its short term rating of [ICRA]A4 (pronounced ICRA A four) on the Rs. 7 Crore<sup>^</sup> bank limits of Shri Krishna Agro Industries (SKAI).

The ratings reaffirmation factors in the 47% year-on-year growth in revenues of the firm to Rs. 104.76 crore in FY 2016 and the firm's comfortable liquidity position as reflected in low utilization of working capital limits over the last one year. The ratings continue to be constrained by the intense competition due to fragmented nature of the edible oils industry and easy availability of substitutes with different varieties of edible oils present in the market; the modest scale of operations of the firm; exposure of its profitability to agro-climatic risks which can cause volatility in raw material prices and the vulnerability of realisations to global edible oil price movements. Further, the ratings factor in the weak financial risk profile of the firm characterised by low profitability margins, high level of gearing at 12.38 times and weak coverage indicators with interest coverage of 1.77 times as on 31<sup>st</sup> March 2016. The ratings, however, favourably factor in the long and established track record of promoter in the rice mill industry; the favourable demand prospects for rice bran oil in the domestic market due to its significant health benefits and easy availability in India; and the location advantage to the firm by way of proximity to rice bran producing belt of Haryana and Punjab which, in turn, facilitates raw material procurement.

Going forward, the ability of the firm to achieve improved profit margins and effectively manage its working capital requirements will be the key rating sensitivities.

### Company Profile

SKAI is a proprietorship firm engaged in processing of rice bran with a product mix comprising crude rice bran oil and de-oiled rice bran. Established in September 2011, the firm operates from its production unit located at Nissing in Karnal district of Haryana with an installed capacity of 75,000 metric tonnes per annum (MTPA). Mr. Ved Prakash, the promoter of the firm, has been in the business of rice milling for over three decades by virtue of his association with the entities named Mansa Devi Agro and M. D Solvents (known as Mansa Group in Karnal) which are engaged in similar line of business.

### Recent Results

In 2015-16, SKAI reported a net profit of Rs. 0.07 crore on an operating income of Rs. 104.90 crore as against a net profit of Rs. 0.07 crore on an operating income of Rs. 71.33 crore in the previous year.

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<sup>^</sup> 100 lakh = 1 crore = 10 million



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