Rating Rationale

S.S. Agro

28th November, 2017

Brickwork Ratings assigns rating for the long term bank loan facilities of S.S. Agro.

Particulars

Facility Rated	Amount (Rs Crs)	Tenure	Rating*
Fund Based			
FBWC	20.00	Long Term	BWR B+ (Pronounced as BWR Single B Plus) Outlook-Stable
CC/DL (WHR)	5.00		
Total	25.00	(INR Twenty Five Crores Only)	

Please refer to BWR website www.brickworkratings.com/ for definition of the ratings.

Rationale/Description of Key Rating Drivers/ Rating sensitivities:

In assigning the rating of S.S. Agro (SSA or 'the firm'), which are manufacturers and exporters of basmati and non-basmati rice, based at Jalalabad (Punjab), BWR has considered the long track record of operations of the firm, long standing experience of the partners and its comfortable liquidity position. The ratings are, however, constrained by low level of operating revenues, low capital base, very high gearing ratio with high dependence on unsecured loans to fund its working capital requirements, average financial risk profile of the firm with weak profitability margins and debt coverage indicators, presence in a highly fragmented & competitive industry with limited product differentiation, partnership constitution of the firm besides risks related to fluctuating prices of commodities which are sensitive to the vagaries of nature.

Key Rating Determinants

Credit Strengths

a) Long and established track record of operations of more than 10 years with experienced partners.

b) Growing top line, with increase in total operating income from Rs. 64.49 Cr in FY14 to Rs. 73.66 Cr in FY17.

c) Comfortable liquidity position with current ratio of 1.37x in FY17 as against 1.47x in FY16.

Credit Weaknesses

a) Below average financial risk profile of the firm marked by weak interest and debt coverage indicator reflected by interest service coverage ratio (ISCR) of 1.13x. DSCR is less than 1 in FY17, however significant portion of long term borrowings in FY17 are unsecured loans from related parties which are non-interest bearing in nature and are likely to be maintained in the business over the medium term.

b) Weak profitability margins with net profit margin at 0.23% in FY17 and 0.20% in FY16. These margins have remained in this range over the past 4 years.

c) Very high gearing (TOL/TNW ratio) at 6.50x in FY17 which has improved from 11.33x in FY16.

d) Low equity base of Rs. 3.40 Cr in FY17.

Going forward, the ability of the firm to increase its scale of operations significantly, improve its profitability margins and manage any mismatch in cash flows of repayment of its debt obligations shall be the key rating sensitivities.

Rating Outlook: Stable

BWR believes the **S.S. Agro** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the company increases its scale of operations significantly along with improving its profitability margins. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

Analytical Approach:

BWR has factored into standalone business and financial risk profile of the firm to arrive at the rating. Reference may be made to the Rating Criteria hyperlinked below.

About the Firm

Founded in the year 2002, S.S. Agro is a partnership firm managed by Mr. Parvesh Kumar, Mr. Sudhir Kumar, Smt. Shashi Bala and Smt. Suchita Rani. The firm mills and market basmati and non-basmati rice.

Firm's Financial Performance

Key Financial Parameters	FY17	FY16
Revenue from operations	Rs. 73.66 Cr	Rs. 75.02 Cr
EBIDTA	Rs. 2.87 Cr	Rs. 1.90 Cr
PAT	Rs. 0.17 Cr	Rs. 0.15 Cr
TOL/ TNW	6.50 times	11.33 times
ISCR	1.13 times	0.86 times

The tangible net worth of the firm stood at Rs. 3.40 Crs as on 31-3-2017.

Rating History for the last three years:

Sl. No.	Instrument/Facility	Current Rating (Year 2017)			Rating History		
		Type (Long Term /Short Term)	Amount (Rs Crs)	Rating	2016	2015	2014
1	FBWC	Long Term	20.00	BWR B+ with Stable Outlook	NA	NA	NA
2	CC/DL (WHR)	Long Term	5.00	BWR B+ with Stable Outlook			
Total			25.00	(INR Twenty Five Crores Only)			

NA: Not Available
Status of non-cooperation with previous CRA (if applicable): Reason and comments: Not Applicable
Any other information: NIL

Hyperlink/Reference to applicable Criteria

- General Criteria
- Approach to Financial Ratios
- Manufacturing Companies

For any other criteria obtain hyperlinks from website

Analysts	Media
Sushil Kumar Chitkara Deputy General Manager – Ratings analyst@brickworkratings.com	media@brickworkratings.com **Relationship Contact** bd@brickworkratings.com
Phone: 1-860-425-2742	

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Note on complexity levels of the rated instrument:
BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9, 30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

DISCLAIMER

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