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June 1, 2010

**CARE ASSIGNS 'BBB+' AND 'PR3+' RATING TO THE BANK FACILITIES OF USHER AGRO LIMITED**

CARE has assigned a '**CARE BBB+**' [**Triple B Plus**] rating to the Long-term Bank Facilities of Usher Agro Limited (UAL). This rating is applicable to facilities having a tenure of more than one year. Facilities with this rating are considered to offer moderate safety for timely servicing of debt obligations. Such facilities carry moderate credit risk. Further, CARE has assigned a '**PR3+**' [**PR Three Plus**] rating to the Short-term Bank Facilities of UAL. Facilities with this rating would have moderate capacity for timely repayment of short-term debt obligations at the time of rating and carry higher credit risk as compared to facilities rated higher.

CARE assigns '+' or '-' signs to be shown after the assigned rating (wherever necessary) to indicate the relative position within the band covered by the rating symbol.

<b>Bank Facilities</b>	<b>Amount (Rs. crore)</b>	<b>Rating</b>
Long-term Bank Facilities	236.28	' <b>CARE BBB+</b> '
Short-term Bank Facilities	10.00	' <b>PR3+</b> '
<b>Total</b>	<b>246.28</b>	

**Rating Rationale**

The ratings derive strength from the experience of the promoters and UAL's established position in the rice milling industry, presence of manufacturing facilities in proximity to raw material sources, comfortable interest coverage ratio and margins, established distribution network in five states and successful commissioning of additional rice milling capacities of 194,400 TPA during FY09.

The ratings are however constrained by the uncertainties associated with agri commodities business, coupled with higher influence of Government regulations on pricing, non-presence in Basmati rice, long working capital cycle in FY09 and competition from un-organized players. The ratings have also factored the moderate leverage and huge debt-funded expansion plans undertaken in FY10 in comparison to the company's current net worth and consequent project implementation risk for the proposed rice mill.

Further, ability of UAL to complete the current expansion plans without any cost or time overruns, timely infusion of equity by the promoters, ability of the company to face high competition even after increased capacities and probable short-supply situation in the company's raw material are the key areas of sensitivity.

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## Company Profile

Incorporated in 1996, UAL is engaged in the business of Rice Milling (mainly Non-Basmati) and Wheat flour milling with existing milling capacities of 252,000 tonnes per annum (TPA) for paddy and 75,000 TPA for wheat at its three factories located at Mathura, Chatta and Buxar. UAL plans to increase the rice mill capacity by another 291,600 TPA at the existing site of Chatta at a cost of Rs.80 crore, which is proposed to be funded in debt to equity ratio of 3:1.

UAL earned a PAT of Rs.14.94 crore on a total income of Rs.225.83 crore in FY09. The overall gearing ratio deteriorated from 0.80x as on June 30, 2008 to 1.37x as on June 30, 2009. Further, the company achieved PAT of Rs.12.28 crore on sales of Rs.155.73 crore during H1FY10.

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