



SMERA RATINGS LIMITED

Sri Lakshmi Venkateshwara Rice Industry (SLVRI)

Rating Rationale

May 27, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	5.25	SMERA B/Stable (Assigned)
SME Credit Plus	0.25	SMERA B/Stable (Assigned)
Foreign Letter of Credit	0.35*	SMERA A4 (Assigned)
Forward Contract	0.01	SMERA A4 (Assigned)
Proposed Long Term Facilities	0.91	SMERA B/Stable (Assigned)

**Includes Term Loan as a sublimit to the extent of Rs.0.23 crore for import of machinery*

SMERA has assigned a long-term rating of '**SMERA B' (read as SMERA single B)** and a short-term rating of '**SMERA A4' (read as SMERA A four)** to the abovementioned bank facilities of Sri Lakshmi Venkateshwara Rice Industry (SLVRI). The outlook is '**Stable**'. The ratings are primarily constrained by the firm's small-scale operations, weak financial risk and working capital-intensive business. The ratings are also constrained by the firm's exposure to intense competition. However, the ratings are supported by the firm's established operations and experienced management. The ratings also draw comfort from the strategic location of the firm's processing unit.

SLVRI, in 2005, is a Nellore-based partnership firm engaged in processing and trading of rice. SLVRI has small-scale operations marked by revenue of Rs.24.94 crore in FY2013-14 (refers to financial year, April 01 to March 31). The firm's weak financial risk profile is reflected in leverage (total debt-to-capital ratio) of 2.34 times as on March 31, 2014 and interest coverage ratio of 1.29 times in FY2013-14. The firm's operations are working capital-intensive with SLVRI faces intense competition from several players in the rice industry.

SLVRI benefits from its experienced management. The partners of the firm have around 10 years of experience in the rice processing business. SLVRI's processing unit is located in proximity to paddy fields in Nellore (Andhra Pradesh), a major rice growing region in India.

Outlook: Stable

SMERA believes SLVRI will maintain a stable business risk profile over the medium term. The firm will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected operating profit margins while achieving sustained improvement in financial risk profile and working capital management. The outlook may be revised to 'Negative' in case of deterioration in the firm's financial or business risk profile.

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**About the firm**

SLVRI, established in 2005, is a Nellore-based partnership firm promoted by Mr. N. C. Rathnamma, Mr. N. C. Krishnaiah, Mr. T. Jyothilakshmi and Mr. T. Venkateswarlu. SLVRI undertakes processing and trading of rice. The firm caters to customers in the domestic market.

For FY2013-14, SLVRI reported net profit after tax of Rs. 0.10 crore on operating income of Rs.24.94 crore, as compared with net profit after tax of Rs.0.08 crore on operating income of Rs.24.61 crore in FY2012-13. The firm's net worth stood at Rs.2.51 crore as on March 31, 2014, as compared with Rs.2.20 crore a year earlier.

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