



SMERA RATINGS LIMITED

Vamsadhara Rice Industries (VRI)

*Rating
Rationale*

September 07, 2015

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	5.00	SMERA B+/Stable (Assigned)
Term Loan	0.48	SMERA B+/Stable (Assigned)

SMERA has assigned a long term rating of '**SMERA B+**' (read as **SMERA B plus**) to the Rs.5.48 crore bank facilities of Vamsadhara Rice Industries (VRI). The outlook is '**Stable**'. The rating is constrained by the firm's modest scale of business, working capital intensive operations and below average financial risk profile marked by high gearing, low profitability and coverage indicators. The rating also factors in agro climatic risks and presence of the firm in a highly competitive rice industry. However, the rating draws comfort from the firm's experienced management and proximity of the processing unit to raw material sourcing areas.

Outlook: Stable

SMERA believes that the firm will maintain its stable business risk profile on account of the management's extensive experience in the rice milling business. The outlook may be revised to 'Positive' in case of sustained increase in revenues and accruals while improving its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of larger-than-expected debt funded capex or significant decline in revenues and margins.

Rating Sensitivity Factors

- Ability to scale up operations and profitability
- Agro climatic conditions
- Efficient working capital management

About the Firm

VRI was established in 2005 as a partnership firm with Mr. Venkateshwara Rao, Mrs.S. Lakshmi, Mrs. S Peraiah, Mr. Purnachandra Rao, Mr. K. Sagar, Mrs. Y Sridevi and Mrs. Mangamma as partners. The firm is engaged in the milling and trading of paddy at Guntur district, Andhra Pradesh and has an installed capacity of four tons per hour. The firm also owns a cinema hall - 'Ganga Mahal' at Guntur. The day-to-day activities are managed by Mr. Venkateshwara Rao and Mr. Purnachandra Rao.

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