



SMERA RATINGS LIMITED

Sri Venkateshwara Rice Industry (SVR)

Rating Rationale

March 21, 2016

Facilities	Amount (Rs. Crore)	Rating
Overdraft	4.86	SMERA B/Stable (Assigned)
Proposed Overdraft	5.14	SMERA B/Stable (Assigned)

SMERA has assigned rating of '**SMERA B**', (read as **SMERA B**) on the Rs.10.00 crore bank facilities of Sri Venkateshwara Rice Industry (SVR). The outlook is '**Stable**'. The rating is constrained by the firm's below average financial risk profile, working capital intensive operations and risks associated with agro climatic conditions. The rating also factors in the competitive and fragmented nature of the rice milling industry. However, the rating is supported by the firm's experienced management and proximity of the processing unit to raw material sourcing areas.

Rating Sensitivity Factors

- Scaling up operations while improving profitability
- Effective working capital management
- Improvement in the capital structure

Outlook - Stable

SMERA believes that the outlook for SVR will remain stable over the medium term owing to the experienced promoters. The outlook may be revised to 'Positive' if the firm achieves more than expected revenue while improving its profit margins and capital structure. Conversely, the outlook may be revised to 'Negative' in case of lower than expected revenues and profitability or significant deterioration in the financial risk profile.

About the Firm

SVR, a partnership firm established in 2007 is a Telangana-based company promoted by Mr. V. Laxmaiah who has around two decades of experience in the rice milling industry. The firm is engaged in the processing of rice.

In FY2014-15, SVR reported profit after tax (PAT) of Rs.0.06 crore on operating income of Rs. 12.95 crore, as compared to PAT of Rs.0.03 crore on operating income of Rs.5.85 crore in the previous year.

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*Rating
Rationale*

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