

Press Release

Sri Venkateshwara Rice Industry

14 July, 2017



Rating Reaffirmed

Total Bank Facilities Rated*	Rs.12.00 Cr (enhanced from Rs. 10.00 Cr)
Long Term Rating	SMERA B/Stable (Reaffirmed)

*Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the rating of '**SMERA B** (read as SMERA B)' on the Rs.10.00 crore bank facilities and also assigned rating of '**SMERA B** (read as SMERA B)' on the Rs.2.00 crore bank facilities of Sri Venkateshwara Rice Industry (SVR). The outlook is '**Stable**'.

SVR, established in 2007, is a Telangana-based partnership firm engaged in the processing of rice at Suryapet. The installed capacity stands at 28,800 metric tonnes per annum. The firm was promoted by Mr. V. Laxmaiah and Mrs. V. Sridevi.

List of key rating drivers and their detailed description

Strengths:

Experienced promoter: The promoter, Mr. Vempati Laxmaiah has experience of around 20 years in the rice milling business and is involved in the day-to-day operations of the firm.

Proximity to raw material sourcing areas: The processing facility is located at Nalgonda district (Telangana), which has close proximity to paddy growing areas.

Weaknesses:

Below average financial risk profile: The firm has below average financial risk profile marked by low networth of Rs. 3.15 crore as on 31 March, 2016 compared to Rs.2.78 crore in the previous year. Further, the interest coverage stood at 1.85 times for FY2015-16 and FY2014-15. The total liabilities to tangible networth (TOL/TNW) stood at 3.00 times as on 31 March, 2016 as compared to 2.39 times in the previous year.

Working capital intensive operations: The operations are working capital intensive reflected by the high gross current asset days of 128 for FY2015-16 as compared to 188 days in the previous year. The reduction in gross current asset days is due to decline in the inventory holding period and receivable days. Further, the average cash credit limit utilisation stood at ~92 percent for the last six months ended 31st December, 2016.

Agro climatic risks: Paddy, the main raw material required for rice is a seasonal crop and production of the same is highly dependent upon monsoon. Thus inadequate rainfall may affect the availability of paddy under adverse weather conditions.

Competitive and fragmented nature of the rice milling business: Rice milling is a highly competitive industry with low entry barriers resulting in intense competition from the organised as well as unorganised players.

Partnership constitution: The partnership constitution of the firm exposes it to capital withdrawal risk.

Analytical approach: SMERA has considered the standalone business and financial risk profiles of the firm.

Applicable Criteria

- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Application Financial Ratios and Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Outlook: Stable

SMERA believes that the outlook for SVR will remain stable over the medium term owing to its 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 Rated Entity – Key Financials

For FY2015-16, SVR reported profit after tax (PAT) of Rs.0.14 crore on operating income of Rs. 29.40 crore as compared to PAT of Rs.0.06 crore on operating income of Rs. 12.95 crore in the previous year. Further, as informed by the management, SVR has reported operating revenue of Rs. 9.68 crore (Provisional) for the period April, 2016 to October, 2016. The net worth stood at Rs.3.15 crore as on 31 March, 2016 as against Rs.2.78 crore in the previous year.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	FY2017			FY2016		FY2015		FY2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Overdraft	LT	8.00 (enhanced from Rs. 4.86 Cr)	SMERA B/Stable (Reaffirmed)	21 March, 2016	SMERA B/Stable (Assigned)	-	-	-	-
Proposed Overdraft	LT	4.00 (reduced from Rs. 5.14 Cr)	SMERA B/Stable (Reaffirmed)	21 March, 2016	SMERA B/Stable (Assigned)	-	-	-	-

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Overdraft	N.A	N.A	N.A.	8.00 (enhanced Rs. 4.86 Cr)	SMERA B/Stable (Reaffirmed)
Proposed Overdraft	N.A	N.A	N.A.	4.00 (reduced Rs. 5.14 Cr)	SMERA B/Stable (Reaffirmed)

Note on complexity levels of the rated instrument:
<https://www.smera.in/criteria-complexity-levels.htm>
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ABOUT SMERA

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