

**April 05, 2016**

| Facilities | Amount (Rs. Crore) | Rating |
|-------------|--------------------|----------------------------|
| Term Loan | 1.40 | SMERA B+/Stable (Assigned) |
| Cash Credit | 8.50 | SMERA B+/Stable (Assigned) |

SMERA has assigned long-term rating of '**SMERA B+**' (read as **SMERA B plus**) on the above mentioned bank facilities of Sri Lakshmi Govardana Rice Industry (Lakshmi Govardana). The outlook is '**Stable**'. The rating is constrained by the firm's exposure to intense competition in the rice processing business, susceptibility of profit margins to the inherent cyclicity in the industry and capital structure of the company. However, the rating derives comfort from the experienced management and moderate scale of operations.

Outlook: Stable

SMERA believes Lakshmi Govardana will maintain a stable outlook in the medium term on account of its experienced management and moderate revenue scalability. The outlook may be revised to 'Positive' if the firm registers sustained increase in revenues and accruals with improvement in capital structure. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenues and accruals or elongation of working capital cycle.

Rating Sensitivity Factors

- Increase in scale of operations and improvement in profitability
- Improvement in the capital structure

About the Company

Lakshmi Govardana was established in 2013 by Mr. Vinod Naidu. The firm is engaged in the processing of rice and has an installed capacity of 64 tons per day (tpd). The manufacturing facilities are located at Nellore, Andhra Pradesh.

Lakshmi Govardana reported profit after tax (PAT) of Rs.0.09 crore on operating income of Rs.64.42 crore for FY2014-15, as compared with PAT of Rs.0.05 crore on operating income of Rs.4.83 crore in FY2013-14.

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SMERA RATINGS LIMITED

Sri Lakshmi Govardana Rice Industry (Lakshmi Govardana)

*Rating
Rationale*

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