

**Press Release**
**Sri Lakshmi Govardana Rice Industry**

10 October, 2017

**Rating Reaffirmed**


<b>Total Bank Facilities Rated*</b>	Rs. 14.90 Cr.
<b>Long Term Rating</b>	SMERA B+ / Outlook: Stable

*\* Refer Annexure for details*
**Rating Rationale**

SMERA has reaffirmed the long-term rating of '**SMERA B+** (read as **SMERA B plus**) on the Rs. 9.90 crore on bank facilities of Sri Lakshmi Govardana Rice Industry. In addition SMERA has assigned long-term rating of '**SMERA B+** (read as **SMERA B plus**) on the Rs. 5.00 crore bank facilities. The outlook is '**Stable**'.

Sri Lakshmi Govardana Rice Industry (SLGRI), a partnership firm, established in 2013 by Mr. Vinod Naidu and family is engaged in the processing of parboiled rice. The manufacturing facility is located at Nellore, Andhra Pradesh with installed capacity of 16 tons per hour.

### **Key Rating Drivers**

#### **Strengths**

- Modest scale of operations**

The firm has modest scale of operations with revenue of around Rs.89.82 crore in FY2017 (Provisional), a rise of almost 80 per cent, on account of increase in capacity. This was due to the new rice milling machines, the operations of which started from April 2016. Moreover, revenue declined in FY2016 due to heavy monsoon in Andhra Pradesh. There have been no such natural calamities in the current financial year.

- Experienced management**

Mr. Vinod Naidu, Partner has more than a decade of experience in the agro industry.

#### **Weaknesses**

- Average financial risk profile**

The financial risk profile is average marked by high gearing, moderate debt protection measures and net worth base. The gearing increased to 3.74 times in FY2017 (Provisional) from 2.70 times in FY2016. This is mainly on account of increase in the amount of unsecured loans and short term borrowings. The interest coverage ratio and the DSCR stood at 1.73 times and 1.46 times in FY2017 (Provisional) compared to 1.65 times and 1.29 times in FY2016 respectively. The NCA/TD stood low at 0.05 times in FY2017 (Provisional) compared to 0.04 times in FY2016. This is mainly on account of increase in the net cash accruals owing to increase in the revenue.

- Working capital intensive business**

The operations are working capital intensive marked by high GCA of 103 on account of high inventory days of 76 in FY2017 (Provisional). The bank limit utilisation has been around 98 per cent.

#### **Analytical Approach**

SMERA has considered the standalone financial and business risk profile of SLGRI.

#### **Outlook: Stable**

SMERA believes that SLGRI 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.

#### About the Rated Entity - Key Financials

For FY2016-17 (Provisional), SLGRI reported profit after tax (PAT) of Rs 0.14 crore on total operating income of Rs.89.82 crore, compared to PAT of Rs.0.13 crore on total operating income of Rs.49.97 crore in FY2015-16.

#### Status of non-cooperation with previous CRA (if applicable)

NA

#### Any other information

NA

#### Applicable Criteria

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

#### Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

#### Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
05-Apr, 2016	Term Loan	Long Term	INR 1.4	SMERA B+ / Stable (Assigned)
	Cash Credit	Long Term	INR 8.5	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
Term loans	Not Applicable	Not Applicable	Not Available	1.40	SMERA B+ / Stable (Reaffirmed)
Term loans	Not Applicable	Not Applicable	Not Available	0.50	SMERA B+ / Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.50	SMERA B+ / Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.50	SMERA B+ / Stable (Assigned)

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