

### Mahalaxmi Paddy Products Private Limited: Assigned

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit	8.95	SMERA B+/Stable (Assigned)
Term Loan	2.99	SMERA B+/Stable (Assigned)
Letter of Credit	0.85	SMERA A4 (Assigned)
Proposed Long Term	2.21	SMERA B+/Stable (Assigned)

SMERA has assigned long-term rating of **'SMERA B+' (read as SMERA B plus)** and short-term rating of **'SMERA A4' (read as SMERA A four)** to the Rs.15.00 crore bank facilities of Mahalaxmi Paddy Products Private Limited (Mahalaxmi Paddy). The outlook is **'Stable'**.

The ratings are constrained by the modest scale of operations and working capital intensive business. The ratings also factor in the volatility in raw material prices of paddy and intense competition in the rice industry. However, the ratings draw support from the experienced management and moderate financial risk profile marked by moderate gearing and interest coverage ratio.

Mahalaxmi Paddy was incorporated in 1990 as a private limited company by Mr. Arun Kumar Maheshwari and Mrs. Usha Maheshwari. The company is engaged in the milling and processing of agro products such as basmati rice and ground nuts. The promoters possess around three decades of experience in the rice industry. The company has modest scale of operations. The revenue stood at Rs.21.10 crore in FY2015-16 (provisional) as compared to Rs.7.84 crore in FY2014-15. Mahalaxmi Paddy has high working capital cycle of 212 days in FY2015-16 (Provisional) against 394 days in FY2014-15. Besides, the company's profit margins are exposed to volatility in raw material prices and agro climatic risks. The company operates in an intensely competitive rice milling industry.

The firm has moderate financial risk profile marked by moderate gearing (debt-to-equity) of 1.54 times as on March 31, 2016 (provisional) against 1.24 times in FY14-15. Moreover, the interest coverage ratio stood at 2.83 times in FY2015-16 (provisional) as against 0.09 times in FY2014-15. The net profit margin stood at 1.09 per cent in FY2015-16 (provisional) against (-7.96) per cent in FY2014-15.

#### Rating Sensitivity Factors

- Increasing scale of operations while improving profitability
- Improvement in the working capital cycle

#### Outlook-Stable

SMERA believes that Mahalaxmi Paddy will maintain a stable outlook owing to the extensive experience of its management in the rice milling business and established relations with customers. The outlook may be revised to 'Positive' in case of sustained increase in revenues and profitability margin. Conversely, the outlook may be revised to 'Negative' in case of further deterioration in the financial risk profile.

**Criteria applied to arrive at the ratings:**

- Manufacturing Entities

**About the Company**

Mahalaxmi Paddy is an Uttar Pradesh-based company incorporated in 1990 by Mr. Arun Kumar Maheshwari and Mrs. Usha Maheshwari. The company is engaged in the milling and processing of agro products such as basmati rice and ground nuts.

For FY2015-16 (provisional), the company reported profit after tax (PAT) of Rs.0.23 crore on operating income of Rs.21.10 crore, as compared with losses of Rs.0.62 crore on operating income of Rs.7.84 crore in FY2014-15. The net worth stood at Rs.7.51 crore (included quasi equity of Rs. 2.80 crore) as on March 31, 2016 (provisional) as well as in the previous year.

**Contacts:**

Analytical	Business Development
Mr. Mohit Jain Vice President – Ratings Operations, Tel: +91-22-6714 1105 Cell: 9619911017 Email: <a href="mailto:mohit.jain@smera.in">mohit.jain@smera.in</a>	Mr. Suman M Vice President – Business Development, Corporate Ratings Tel: +91-22-6714 1151 Cell: +91-9892306888 Email: <a href="mailto:suman.m@smera.in">suman.m@smera.in</a>

**ABOUT SMERA**

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