

Press Release

Sri Satyanarayana Raw and Boiled Rice Mill Private Limited (SSRBMP)

May 18, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs.53.00 Cr
Long Term Rating	SMERA BB-/Stable (Assigned)
Short Term rating	SMERA A4+ (Assigned)

*Refer Annexure for details

Rating Rationale

SMERA has assigned the long term rating of '**SMERA BB-**'(read as SMERA double B minus) and short term rating of '**SMERA A4+**' (read as SMERA a four) on the bank facilities of Rs.53.00 crore of Sri Satyanarayana Raw and Boiled Rice Mill Private Limited. The outlook is '**Stable**'.

Sri Satyanarayana Raw and Boiled Rice Mill Private Limited (SSRBRM) was incorporated in the year 1998 by Mr. Bonda Venkateswara Rao. The company is engaged in the milling of paddy and processing raw & boiled rice. It also sells by-products like broken rice, bran and husk.

List of key rating drivers and their detailed description

Strengths:

Established track record of operations and experienced management

SSRBRM has been in operations since 1998 and hence benefits from its long track record. The company has been able to forge healthy relationships with its suppliers and customers. Further, the director viz. Mr. Bonda Venkateswara Rao has more than a decade of experience in the rice industry.

Stable but thin Net profit Margins

SSRBRM's margins have remained stable during the period under study. EBITDA margins stood at 11.77% in FY2015-16 as against 11.57% in FY2014-15. to. However, the company has thin PAT margins of 0.06% for FY2015-16 due to high interest and depreciation cost.

Weaknesses

Below average financial risk profile

SSRBRM's financial risk profile is below average marked by gearing of 3.77 times as on March 31, 2016 as compared to 5.40 times as on March 31, 2015. Further, interest coverage ratio stands low at 1.18 times as per FY2015-16 as compared to 1.08 times in FY2014-15.

Working Capital intensive operations

SSRBRM's operations are working capital intensive as evident from its high working capital cycle of 200 days for FY2015-16 as against 213 days for FY2014-15. This is on account of the high inventory holding of around 203 days for FY2015-16.

Agro climatic risks

Paddy which is the main raw material required for rice is a seasonal crop and the production of the same is highly dependent upon monsoon season. Thus inadequate rainfall may affect the availability of paddy in adverse weather conditions.

Analytical approach: SMERA has considered the standalone business and financial risk profile of SSRBRM to arrive at the rating

Applicable Criteria:

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

Outlook – Stable

SMERA believes that SSRBRM will maintain a 'Stable' outlook on the back of the management's extensive experience in the rice milling business and its established relationships with customers. The outlook may be revised to 'Positive' in case of sustained increase in revenues and profit margins. Conversely, the outlook may be revised to 'Negative' in case of further deterioration in financial risk profile.

About the Rated Entity

For FY2015-16, the company reported profit after tax (PAT) of Rs.0.04 crore on operating income of Rs.73.70 crore, as compared with PAT of Rs.0.02 crore on operating income of Rs.71.35 crore in FY2014-15. The net worth stood at Rs.13.83 crore as on March 31, 2016 against Rs.14.21 crore a year earlier.

Status of non-cooperation with previous CRA – N.A

Any other information: Not Applicable

Rating History for the last three years: Not Applicable

***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 Loan	N.A.	N.A.	30/Nov/2019	1.60	SMERA BB-/Stable (Assigned)
Cash Credit	N.A.	N.A.	N.A.	30.00	SMERA BB-/Stable (Assigned)
Export Packing Credit	N.A.	N.A.	N.A.	15.00	SMERA A4+ (Assigned)
Bank Guarantee	N.A.	N.A.	N.A.	5.00	SMERA A4+ (Assigned)
Proposed Fund Based	N.A.	N.A.	N.A.	1.40	SMERA BB-/Stable (Assigned)

Contacts:

Analytical	Rating Desk
Vinayak Nayak, Head – Ratings Operations Tel: +91-22-6714 1190 Email: vinayak.nayak@smera.in	Varsha Bist Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in
Namita Palve, Rating Analyst, Tel: +91-22-6714 1129 Email: namita.palve@smera.in	

ABOUT SMERA

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