

Press Release

P SRI RAMULU

15 February, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 15.00 Cr.
Long Term Rating	SMERA B+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B+**' (read as **SMERA B plus**) on the Rs.15.00 crore bank facilities of P SRI RAMULU. The outlook is '**Stable**'.

Established in 1991, P Shiramulu is a proprietorship concern established by Mr. Sriramulu. The Chennai-based firm is engaged in the wholesaling and retailing of rice. The firm sells rice through its departmental store at Sowcarpet, Tamil Nadu and caters to local customers as well as hotels.

Key Rating Drivers

Strengths

- **Established track record and experienced management**

P Shiramulu is part of the K R Padmanabhan group established in 1989. The group is engaged in the wholesale and retailing of rice. The group is promoted by Mr. Vinoth and Mr. Ganesh who have more than a decade of experience in the industry. The management is ably supported by Mr. P Sriramulu, Mr. Venkatesen, Mr. Damodaran and others with collective experience of over three decades in rice trading.

- **Steady revenue and established customer base**

The K R Padmanabhan group has demonstrated steady growth over the years. The operating revenue stood at Rs 141 crore in FY2017 compared to Rs. 138 crore in FY2016. It has well-diversified presence in major markets across Tamil Nadu. The departmental stores are located at Sowcarpet, Kothwal Bazaar, Vadapalani, and Annapalia among others. Additionally, the group also caters to the government (Amma Amudams) on tender-basis as also to reputed retail chains and hotels across Tamil Nadu.

Weaknesses

- **Weak financial risk profile**

The group exhibits weak financial risk profile marked by low net worth of Rs.6.61 crore for FY2017 and Rs 4.42 crore for FY2016. The gearing of the group stood at 7.35 times in FY2017 as against 9.56 times in FY2016. The TOL/TNW stood at 10.47 times in FY2017 and 15.39 times in FY2016. The Interest Coverage Ratio stood at 1.17 for FY2017 and 1.19 times for FY2016.

- **Working capital intensive operations**

The operations are working capital intensive evident from the high Gross Current Asset (GCA) days of 171 in FY2017 as against 182 days in FY2016. This necessitates working capital requirements as major funds get blocked in inventory. The inventory days stood at 107 days in FY2015-16 compared to 80 days in FY2016-17. The debtor days stood at 54 days in FY2016-17 as against 89 days in FY2015-16.

Highly competitive and fragmented industry

The K R Padmanabhan group operates in a highly fragmented industry with various small and large players operating at local and regional levels. The firm is exposed to intense competition considering that rice is the staple diet in the south and there are low entry barriers.

Analytical Approach

SMERA has consolidated the business and financial risk profiles of Vinoth Distributors (VD), K R Padmanabhan and Sons (KRPS), P Muthukrishnan and Co (PM & co) and P Sriramulu together referred to as the K R Padmanabhan group. The consolidation is owing to the common management, common procurement and financial synergies within the group.

Outlook: Stable

SMERA believes that the K R Padmanabhan group will maintain a Stable outlook and continue to benefit over the medium term from its experienced management. The outlook may be revised to 'Positive' if the firm continues to maintain its operating profitability and improve its financial risk profile. Conversely, the outlook may be revised to 'Negative' if the firm fails to achieve profitability or if the financial risk profile deteriorates owing to more than envisaged working capital requirements.

About the Group

The K R Padmanabhan group was established in 1989 by K R Padmanabhan in Chennai, Tamil Nadu. The group consists of P Sriramulu (est 1991), K R Padmanabhan and Son (est 1996), P Muthukrishnan and Co (est 1996) and Vinoth Distributors (est 2008) among others. The group is engaged in the wholesale and retailing of rice and supplies to departmental stores across Tamil Nadu.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	141.93	138.70	127.75
EBITDA	Rs. Cr.	6.66	5.85	4.92
PAT	Rs. Cr.	0.84	0.80	0.56
EBITDA Margin	(%)	4.69	4.22	3.85
PAT Margin	(%)	0.59	0.58	0.43
ROCE	(%)	12.91	13.18	23.55
Total Debt/Tangible Net Worth	Times	7.35	9.56	9.47
PBDIT/Interest	Times	1.17	1.19	1.18
Total Debt/PBDIT	Times	7.45	7.20	7.39
Gross Current Assets (Days)	Days	171	182	158

Any other information

none

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.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): 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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	14.00	SMERA B+ / Stable
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA B+ / Stable

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ABOUT SMERA

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