

Press Release

Sri Lakshmi Srinivasa Roller Flour Mills

December 05, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 8.50 Cr.
Long Term Rating	ACUITE B/ Outlook: Stable (Assigned)

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE B**' (read as **ACUITE B**) to the Rs. 8.50 crore bank facilities of Sri Lakshmi Srinivasa Roller Flour Mills (Sri Lakshmi). The outlook is '**Stable**'.

Established in 1998, Sri Lakshmi is a Bangalore based partnership firm engaged in manufacturing of atta, maida, suji and bran with an installed capacity of 120 MT per day. The business is managed by Mr. MS Sujan and Mr. MS Suraj.

Analytical Approach:

Acuite has taken a standalone view of the business and financial risk profile of the firm to arrive at the rating.

Key Rating Drivers

Strengths

Experienced management

Established in 1998, Sri Lakshmi has a long track record of 20 years. The firm is currently managed by two partners, Mr. MS Suraj and Mr. MS Sujan.

Improvement in topline and profitability

The firm, in FY2017, had clocked top-line of Rs.25.40 crore as against Rs.18.88 crore in the previous year, thereby registering a y-o-y growth of 34.74 percent. During the current year, the firm has clocked revenue of~ Rs.27.00 crore. The growth in topline is on account of commencing customised milling for the customers from FY2017. Through customised milling, the firm has also been able to increase the profitability margins where operating margins stood at 3.75 percent in FY2017 as compare to 2.95 percent in the previous year.

Weaknesses

Working capital intensive operations

Sri Lakshmi's operations are working capital intensive in nature marked by Gross Current Asset (GCA) days of 131 as on 31 March, 2017 as against 133 days in the previous year. The GCA days emanates from the inventory holding period of 59 days and debtor days of 58 as on 31 March, 2017. The firm has to maintain inventory of 60-75 days in order to minimise the volatility in raw material prices. The debtor days stood at 58 as on 31 March, 2017 as compare to 36 days in the previous year. The rise in debtor days is on account of providing higher credit period to the customers, namely, Metro, Cash N Carry and Top Anil Marketing Company from whom the firm derives ~ 30 percent of its revenues.

Below average financial risk profile

The financial risk profile is below marked by modest net worth, modest debt protection metrics and

high leverage. The net worth stood at Rs.1.75 crore as on 31 March, 2017 as compare to Rs.1.85 crore in the previous year. The interest coverage ratio and DSCR stood at 1.48 times and 1.01 times as on 31 March, 2017 as against 1.74 times and 1.46 times respectively in the previous year. The capital structure is highly leveraged marked by gearing of 4.12 times as on 31 March, 2017 as compare to 2.16 times in the previous year.

Risk related to agro climatic conditions

The firm is exposed to the risk related to agro climatic conditions. Wheat is the main raw material for the production of atta and maida. Wheat is rabi crop sown in October and harvested in April-May. The production of wheat mainly depends on agro climatic conditions. Any inverse change in the agro climatic conditions may interrupt the supply chain of wheat.

Outlook: Stable

Acuite believes that Sri Lakshmi will maintain a 'Stable' business risk profile in the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected growth in revenues and profitability while improving working capital management and financial risk profile. Conversely, the outlook may be revised to 'Negative' in case the firm registers lower-than-expected growth in revenues and profitability, or in case of additional working capital borrowings leading to deterioration in the financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	25.40	18.88	19.42
EBITDA	Rs. Cr.	0.95	0.56	0.50
PAT	Rs. Cr.	0.11	0.07	0.07
EBITDA Margin	(%)	3.75	2.95	2.58
PAT Margin	(%)	0.45	0.38	0.39
ROCE	(%)	11.02	8.03	9.97
Total Debt/Tangible Net Worth	Times	4.12	2.16	3.33
PBDIT/Interest	Times	1.48	1.74	1.60
Total Debt/PBDIT	Times	7.56	7.17	7.25
Gross Current Assets (Days)	Days	131	133	109

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

None

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

<https://www.acuite.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	8.50	ACUITE B/ Stable

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About Acuité Ratings & Research:

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