

**November 24, 2015**

| Facilities | Amount (Rs. Crore) | Rating |
|------------------------|--------------------|----------------------------|
| Term Loan | 0.22 | SMERA BB/Stable (Assigned) |
| Cash Credit | 10.00 | SMERA BB/Stable (Assigned) |
| Cash Credit (Proposed) | 3.78 | SMERA BB/Stable (Assigned) |

SMERA has assigned rating of '**SMERA BB**' (read as **SMERA double B**) to the abovementioned bank facilities of Luxmi Rice Mills (LRM). The outlook is '**Stable**'. The rating is supported by the established operations and experienced management. The rating also draws comfort from the strategic location of the firm's processing unit and the favourable demand outlook in its key markets. However, the rating is constrained by the firm's working capital intensive operations, exposure to agro-climatic risk and fragmented nature of the rice milling industry.

Outlook: Stable

SMERA believes LRM will maintain a stable business risk profile over the medium term. The firm will continue to benefit from its established operations and experienced management. The outlook may be revised to 'Positive' if the firm registers significant and sustainable improvement in profitability, cash accruals and working capital management. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the revenue and cash accruals, or stretch in the working capital cycle.

Rating sensitivity factors

- Scaling up of operations while managing working capital funds
- Agro climatic risks

About the Firm

The Karnal based- LRM, incorporated in 1980, by Mr. Roshan Lal Singla undertakes processing and trading of rice. The firm has installed capacity of 3 tonnes per hour (TPH) and sells it under the 'Singal Chabi' brand name. The firm has interest bearing unsecured loans from promoters, friends and relatives worth Rs.8.54 crore in FY2014-15 that are subordinated to bank debt and will remain in the business over the medium term. SMERA has treated such unsecured loans as quasi-equity.

For FY2014-15, LRM reported profit after tax (PAT) of Rs.0.11 crore on operating income of Rs.40.04 crore, as compared with PAT of Rs.0.12 crore on operating income of Rs.30.87 crore in FY2013-14. The firm's net worth stood at Rs.9.66 crore as on March 31, 2015 as compared with Rs.7.05 crore a year earlier.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.



SMERA RATINGS LIMITED

Luxmi Rice Mills (LRM)

Rating Rationale

Contact List:

| Media/Business Development | Analytical Contact | Rating Desk |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|
| Antony Jose Vice President – Business Development, Mid Corporate Tel: +91-22-6714 1191 Cell: +91 9820802479 Email: antony.jose@smera.in | Parimal Thakker Associate Vice President – Corporate Ratings Tel: +91-011-4973 1312 Email: parimal.thakker@smera.in | Tel: +91-22-6714 1184 Email: ratingdesk@smera.in |

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.