

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.

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