

Luxmi Rice Mills: Reaffirmed

Facilities	Amount (Rs. Crore)	Rating/Outlook
Cash Credit	13.62	SMERA BB/Stable (Reaffirmed)
Term Loan	0.38	SMERA BB/Stable (Reaffirmed)

SMERA has reaffirmed the long term rating of '**SMERA BB**' (read as SMERA double B) on the Rs.14.00 crore bank facilities of Luxmi Rice Mills (LRM). The outlook continues to remain '**Stable**'.

The rating continues to be supported by the established track record of operations, experienced management and strategic location of the firm's processing unit. However, the rating continues to be constrained by the modest scale of operations, moderate financial risk profile and working capital intensive business. The ratings also factor in the volatility in raw material prices of paddy and intense competition in the rice industry.

Update

LRM, established in 1980 is engaged in rice milling. The promoter, Mr. Roshan Lal Singla possesses three decades of experience in the processing and trading of rice. The firm is located at Karnal, Haryana with close proximity to paddy growing areas.

However, the scale of operations is modest with revenue of Rs.54.00 crore in FY2015-16 as against Rs.40.04 crore in FY2014-15. The gearing has deteriorated to 1.77 times as on 31 March, 2016 from 1.30 times as on 31 March, 2015. The interest coverage ratio declined to 1.16 times in FY2016 as against 1.38 times in FY2015. The operating margin fell to 4.58 per cent in FY2016 from 5.48 per cent in FY2015. The net profitability margin of the firm stands low at 0.24 percent in FY2016 compared to 0.28 percent in FY2015.

The firm operates in a highly working capital intensive business marked by high working capital cycle days of 163 in FY2016 and 160 in FY2015. Besides, the profit margins are exposed to volatility in raw material prices and agro climatic risks. The firm operates in an intensely competitive rice milling industry.

Rating Sensitivity Factors

- Scaling up operations while managing working capital funds
- Movement in working capital cycle
- Movement in capital structure

Outlook - Stable

SMERA believes that the firm will continue to maintain a stable outlook owing to the management's extensive experience in the rice milling business and established relationships with customers. The outlook may be revised to 'Positive' in case of sustained increase in revenues and accruals while improving working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenues and accruals or elongation of working capital cycle.

Criteria applied to arrive at the rating:

- Manufacturing Entities

About the Firm

LRM, established in 1980, by Mr. Roshan Lal Singla is engaged in rice milling and trading of rice (basmati and non-basmati rice). The manufacturing facilities are located at Karnal, Haryana and have a capacity of 3 MT per hour. The firm sells its products under the 'Singal Chabi' brand name.

For FY2015-16, the firm reported profit after tax (PAT) of Rs.0.13 crore on operating income of Rs.54.00 crore, as compared to PAT of Rs.0.11 crore on operating income of Rs.40.04 crore in FY2014-15. The net worth stood at Rs.10.66 crore (included quasi equity of Rs.9.05 crore) as on March 31, 2016 against Rs.9.66 crore (included quasi equity of Rs.8.54 crore) a year earlier.

Rating History

Date	Facilities	Amount (Rs. Crore)	Rating		Rating Outlook
			Long Term	Short Term	
24 Nov , 2015	Term Loan	0.22	SMERA BB (Assigned)	-	Stable
	Cash Credit	10.00	SMERA BB (Assigned)	-	Stable
	Cash Credit (Proposed)	3.78	SMERA BB (Assigned)	-	Stable

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ABOUT SMERA

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