

## Rating Rationale

### Brickwork Ratings assigns 'BWR B+' for the Bank Loan Facilities aggregating ₹ 6.25 Cr to Ashta Lakshmi Rice Industry

Brickwork Ratings (BWR) has assigned the following **Rating<sup>1</sup>** for the Bank Loan Facilities amounting to Rs.6.25 Cr sanctioned by State Bank of India to Ashta Lakshmi Rice Industry ("ALRI" or "the firm"):

Facilities	Limits (₹ Cr)	Tenure	Rating <sup>1</sup>
<b>Fund Based:</b>		<b>Long Term</b>	<b>BWR B+</b> (Pronounced as BWR B Plus)  <b>Outlook : Stable</b>
Cash Credit	<b>5.50</b>		
SME Credit Plus	<b>0.25</b>		
Term Loan #	<b>0.50</b>		
<b>Total Amount</b>	<b>6.25</b>	<b>INR Six Crores &amp; Twenty Five Lakhs only</b>	

# Amount Outstanding as on 11.8.15

BWR has essentially relied upon the audited financial results up to FY14, provisional financials of FY 15, publicly available information and clarifications provided by the firm's management.

The ratings have factored the experience of partners in rice milling business, with an operational track record since 2010, locational advantage of being in East Godavari district, a paddy growing region of Andhra Pradesh and visibility. However, the ratings are constrained by low scale of operations, vulnerability of profit margins to volatility in input prices, uncertainty in revenue streams emanating from the cyclical nature of business, government regulations, competition from organised and unorganised players, geographical concentration of its business limited to Andhra Pradesh and its neighbouring state.

#### Background:

Ashta Lakshmi Rice Industry was incorporated in 2010 as a partnership firm at Mandapeta, Andhra Pradesh. The firm has added one more new partner during the year, taking the total number of partners to 19 members. The firm's managing partner Mr. G Krishna Murthy has more than 15 years of experience in the rice milling industry. ALRI is engaged in milling of paddy and sale of rice and rice products. The firm markets its products under the brand name of 'ALR'.

<sup>1</sup> Please refer to [www.brickworkratings.com](http://www.brickworkratings.com) for definition of the Ratings

The firm purchases paddy from various farmers located in and around Andhra Pradesh. The key customers are FCI, dealers in Kerala and Andhra Pradesh.

**Financial Performance:**

The firm has reported net revenue of Rs.19.65 Cr and PAT of Rs0.05 Cr in FY 14 as against Rs.21.45 Cr and Rs.0.06 Cr in FY13. The firm's Capital stood at Rs3.19 Cr as on March 31, 2014 as against Rs.2.98 Cr in FY 13. Debt Protection metrics was slightly low with ISCR at 1.48 times and DSCR at 1.16 times as on March 31, 2014.

**Rating Outlook:**

The performance of the firm is expected to be stable over the next one year. Going forward, ability of the firm to increase its revenue, improve its profitability, achieve geographical and customer diversification in its revenue profile and manage its working capital efficiently will be the key rating sensitivities.

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