Rating Rationale

Brickwork Ratings reaffirms 'BWR B+' for Bank Loan facilities aggregating to ₹ 6.72 Cr of Ashta Lakshmi Rice Industry (The Firm).

Brickwork Ratings has reaffirmed the following **Rating**[1] for Bank Loan facilities of Ashta Lakshmi Rice Industry

Facility	Previous Limits (₹ Cr)	Present Limits (₹ Cr)	Tenure	Previous Rating	Rating
Cash credit	**6.00**	**6.00**	**Long Term**	**BWR B+** (Pronounced as BWR B Plus) **Outlook: Stable**	**BWR B+ (Reaffirmation)** (Pronounced as BWR B Plus) **Outlook: Stable**
SME Credit Plus	**0.25**	**0.25**			
Long Term	**1.38**	**0.47***			
Total	**7.63**	**6.72**	**INR Six crores and seventy two lakhs only**		

***outstanding amount as on 21.08.2014**

BWR has principally relied upon the audited results up to FY13 and information/clarification provided by the firm's management.

The rating assigned continuous its strength from experience of the partners and demand for rice industry in India. However, the ratings are constrained by the modest scale of operations and decline in operating margins from FY12 to FY13, increase in operating cycle due to inventory days. Rating assigned also constrained by intense competition from organized and unorganized players in the industry, government regulations and the cyclicality inherent in the rice milling industry.

Background:
M/s Ashta Lakshmi rice industry was established in the year 2010 as a partnership concern. The firm is located at Mandapeta, East Godavari Dt. The firm manufactures rice products. The firm sells its products with the brand name of ALR**.** The firm purchases paddy from different districts of Andhra Pradesh and Orissa. Firm installed capacity is 600 quintals per day and utilized capacity is at~70% per day. Key customers to the firm are FCI, Kerala traders and export traders.

[1] ***Please refer to www.brickworkratings.com for definition of the Ratings***

The firm Managing Partner **Mr. G Krishna Murthy** has more than 15 years of experience in rice milling industry. There are total 18 partners for the firm. All the partners are family members of Mr. G Krishna Murthy.

Financial Performance:

During FY13, the net revenue from operations have marginally improved from Rs. 20.67 crores to Rs.21.45 crores. The firm's profitability is low with operating profit margin of 7.75 per cent and net profit margin of 0.29 per cent for FY 12. The firm net profit margins have declined from operating profit margins due to high interest and finance cost. The firm has stretched liquidity position with current ratio of 1.16 times in FY13. The firm's cash conversion cycle is 99 days. The tangible net-worth is Rs. 2.98 crores for FY13.

Rating Outlook:

The outlook of the firm for the next one year is expected to be stable. The rating reflects the position of the firm in the segment of the industry it caters to. Going forward, the ability of the firm to improve operating margins, to sustain debt equity levels by improving the capital base and regulatory risk on rice mills would be the key rating sensitivities.

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