

## Rating Rationale

### Brickwork Ratings downgrades the long term rating to 'BWR B' & assigns short term rating 'BWR A4' for the Bank Loan Facilities aggregating ₹ 9.00 Cr of M/s Ashta Lakshmi Rice Industry

Brickwork Ratings (BWR) has downgraded long term **Rating<sup>1</sup>** to BWR B and assigned the short term Ratings BWR A4 for the enhanced Bank Loan Facilities amounting to Rs.9.00 Crores of Ashta Lakshmi Rice Industry ("ALRI" or "the firm):

Facilities	Previous Limits (₹ Cr)	Present Limits (₹ Cr)	Tenure	Rating History Aug 2015	Present Rating
<b>Fund Based:</b>					
Cash Credit	5.50	<b>6.00</b>	<b>Long Term</b>	BWR B+ (Pronounced BWR Single B Plus) Outlook : Stable	<b>BWR B</b> (Pronounced BWR Single B) <b>Outlook : Stable</b> (Downgraded)
SME Credit Plus	0.25	<b>0.00</b>			
Term Loan	0.50	<b>0.00</b>			
<b>Non-Fund Based:</b>					
Bank Guarantee	0.00	<b>3.00</b>	<b>Short Term</b>	-----	<b>BWR A4</b>
<b>Total Amount</b>	6.25	<b>9.00</b>	<b>INR Nine Crores Only</b>		

BWR has essentially relied upon the audited financial results up to FY15, CA certified provisional financials of FY 16, publicly available information and clarifications provided by the firm's management.

The ratings draw comfort from the experience of the promoters in trading, milling and processing of rice and comfortable gearing level and adequate liquidity position. The assigned rating is, however primarily constrained by its declined scale of operations, low profitability margins, working capital intensive nature of operations, susceptible to agro-climatic risks and highly fragmented with intensely competitive industry.

#### Firm Background:

Ashta Lakshmi Rice Industry was established in the year 2010 as a partnership firm located at Mandapeta, Andhra Pradesh .The firm is promoted By Mr. G Krishna Murthy and other 19 family members. Ashta Lakshmi Rice Industry engaged in the business of processing and trading of rice and other by products in the domestic market. The firm has its manufacturing unit at Mandapeta, Andhra Pradesh.The firm markets its products under the brand name of 'ALR'. Processing capacity of the plant is 40 Metric tons per day.'

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

### Financial Performance:

As per certified provisional financials of FY16, ALRI registered net profit of Rs.0.02 crore on a total operating income of Rs.10.59 crore as against net profit of Rs.0.06 crore on a total operating income of Rs.18.01 crore in FY15. As on 31<sup>st</sup> March 2016 firm's capital stood at Rs.2.53 Crore Coupled with Debt/Equity ratio of 0.52 times, operating profit margin, net profit margins recorded at 8.39 %, 0.23 %.

### Rating Outlook:

The outlook is expected to be stable for the current year. Going forward ability of the firm to improve its scale of operations and profitability, strengthen its overall financial performance and manage working capital requirements efficiently, would be the key rating sensitivities.

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