

## Rating Rationale

### Brickwork Ratings Reaffirms 'BWR B+' for the Bank Loan facilities aggregating ₹7.25 Cr of Davamangala Devi Modern Rice Mill.

Brickwork Ratings (BWR) has *reaffirmed* the following **Rating<sup>1</sup>** for the Bank Loan facilities aggregating ₹7.25 Cr of Davamangala Devi Modern Rice Mill (“DDMRM or “the Firm”).

Bank Facilities	Previous Limits(Rs. Crs)	Limits(Rs. Crs)	Tenure	Ratings	Previous Rating 18th Jul-2014
<b>Fund Based</b>					
Cash credit	5.00	7.00	Long Term	<b>BWR B+</b> Pronounced as <b>BWR B Plus</b> (Outlook: <b>Stable</b> )	<b>BWR B+</b> Pronounced as <b>BWR B Plus</b> (Outlook: <b>Stable</b> )
SME Credit Plus/TL	0.32	0.25			
<b>Total</b>	<b>5.32</b>	<b>7.25</b>	<b>INR Seven Crores Twenty Five Lakhs Only</b>		

BWR has principally relied upon the audited financials of the firm up to FY14, provisional financials for FY15, publically available information and information/ clarifications provided by the firm’s management.

The rating continues to factor the management's experience in the rice milling industry, long standing relationship with customers and suppliers and one of its established brands in the local chennai market. However, the rating is constrained by the average capacity utilization, modest scale of revenues, low networth, profitability margins and aslo the highly competitive and fragmented nature of the rice milling industry with inherent cyclicality.

#### Background:

Davamangala Devi Modern Rice Mill(DDMRM) was established as a proprietorship firm in 1996. The firm is involved in Rice Milling. The firm purchases paddy from farms and traders. The firm's Production capacity is 1400 tonnes per annum. The firm has average capacity utilization of around 50 to 60%. The firm sells its products under pondi Thangam brand , Malar brand and Baby brand in the local market.

#### Ownership & Management Profile:

Davamangala Devi Modern Rice Mill(DDMRM) is fully owned by Mrs.V. Rajeshwari. The day-to-day operations and management of the firm are taken care by the Proprietor's husband Mr. Venkatacham and Son Mr. Natrajan.

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

### Financial Performance:

The firm has submitted provisional financial statements for FY15. Net revenues of the firm has increased from ₹27.94Cr in FY14 to ₹31.97Cr in FY15 with PAT at ₹0.26Cr. Operating profit was 3.18% and net profit was 0.83% in FY15. The firm has banking facilities with State Bank of India both term loans and working capital facilities around ~ ₹ 7.25Cr. The tangible networth of the firm is ~ ₹3.03Cr in FY15.

### Rating Outlook:

The outlook is expected to be stable for the current year. Going forward, the ability of the firm to increase its scale of operations, improve profitability, strengthen capital structure and manage working capital efficiently would be the key rating sensitivities. Changing the ownership structure from proprietorship into partnership would be positive for the rating.

<b>Analyst Contact</b>	<b>Relationship Contact</b>
<a href="mailto:analyst@brickworkratings.com">analyst@brickworkratings.com</a>	<a href="mailto:bd@brickworkratings.com">bd@brickworkratings.com</a>
<b>Phone</b>	<b>Media Contact</b>
<b>1-860-425-2742</b>	<a href="mailto:media@brickworkratings.com">media@brickworkratings.com</a>

**Disclaimer:** Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.