

## Rating Rationale

### Brickwork Ratings reaffirms 'BWR B+' for the Bank Loan Facilities aggregating ₹ 5.87 Cr of Krishna Prasad Industries

Brickwork Ratings (BWR) has reaffirmed the following **Rating<sup>1</sup>** for the bank loan facilities of **Krishna Prasad Industries** (“KPI” or “the Firm”):

Bank Facilities	Previous Limits (₹ Cr)	Present Limits (₹ Cr)	Tenure	Previous Rating <sup>1</sup> (Sept 2014)	Present Rating <sup>1</sup>
Fund Based Cash Credit Term Loan	4.60 2.55	<b>4.00</b> <b>1.87</b>	<b>Long Term</b>	BWR B + (Pronounced BWR Single B Plus) Outlook: Stable	<b>BWR B +</b> <b>(Pronounced BWR Single B Plus)</b> <b>Outlook: Stable</b> <b>Reaffirmed</b>
Total	7.15	<b>5.87</b>	<b>(INR Five Crores and Eighty Seven Lakhs Only)</b>		

BWR has essentially relied upon KPI’s audited financial results upto FY15, publicly available information and the information/clarifications provided by the firm's management.

The rating reaffirmation takes into consideration the extensive experience of the promoters in the rice milling industry and locational advantages. However, the rating continues to be constrained by the limited track record of the firm, low scale of operations, small net worth, thin profitability, exposure to volatility in raw material prices, agro climatic risks, highly competitive and fragmented nature of the industry and high working capital requirements.

#### **Background:**

Krishna Prasad Industries (KPI) is a partnership firm established in July 2011 at Raichur, Karnataka by Shri. G Venkateshwara Prasad and Mr Galeyya. The current partners of the firm are Shri. G Venkateshwara Prasad and Smt. G Shruthi. KPI commenced its commercial operations from January 2013. The firm is engaged in milling paddy to produce steamed rice, raw rice and by products like broken rice, rice bran and husk. The plant is spread across 35000 Sq Ft and has an installed capacity of producing 6 tonnes of rice per hour. The firm sells steamed rice under the brand 'Singaram' and 'Hampi Gold' and raw rice under the brand 'Dhavanam' and 'Hemavati' to wholesale dealers in Mumbai, Bangalore, etc.

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

**Management:**

Shri. G Venkateshwara Prasad is the Managing Partner and has vast experience in the rice milling industry. Smt. G Shruthi, his daughter, is the other partner.

**Financial Performance:**

KPI's revenue has increased from ₹ 16.26 Crores in FY14 to ₹ 25.45 Crores in FY15. PAT has increased from ₹ 0.01 crores in FY14 to ₹ 0.21 crores in FY15. Net worth stood at ₹ 3.70 crores as on 31<sup>st</sup> March 2015. On a provisional basis, the firm has informed that they have achieved around ₹ 18.83 Crores

**Rating Outlook:**

The rating outlook is expected to remain stable for the current year. Going forward, the ability of the firm to improve its scale of operations profitably, strengthen its overall financial risk profile and manage its working capital cycle effectively will be the key rating sensitivities.

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