Rating Rationale

Brickwork Ratings assigns 'BWR B' for the Bank Loan Facility aggregating ₹ 7 Cr of Lakshmi Narasimha Textiles

Brickwork Ratings (BWR) has assigned the following **Rating**[1] for the bank loan facilities of Lakshmi Narasimha Textiles **("LNT" or "the firm"):**

Bank Facility	Limits (₹ Cr)	Tenure	Rating*
Cash Credit	7.00	**Long Term** (Fund Based)	**BWR B** (Pronounced BWR Single B) **Outlook: Stable**
Total	**7.00**	**INR Seven Crores only**	

BWR has essentially relied upon LNT's audited financial results up to FY15, publicly available information and the information/clarifications provided by the firm.

The rating draws strength from the experience of the promoters in the cotton industry and locational advantages. However, the rating is constrained by the firm's modest scale of operations, exposure of the cotton industry to government regulation risks, volatility in raw material prices, thin profitability, exposure to agro climatic risks, intensely competitive industry and high working capital requirements.

Background:

Lakshmi Narasimha Textiles (LNT) is a family owned business was established on 1st December 2007 as a partnership firm in Lakshmipuram, Guntur, Andhra Pradesh as a partnership firm by Shri. Venkateswara Rao T. The firm is engaged in trading of cotton lint, cotton yarn, cotton seeds and kappas & is also processes 25% of its cotton lint into cotton yarn. The firm sells its cotton yarn & lint to weaving and spinning mills in Andhra Pradesh, Tamil Nadu and Telangana.

Management:

Shri. Venkateswara Rao T is the Managing Partner and has more than two decades of experience in this business. Shri. Venkata Rama Lingeswara Rao T is the other partner.

Financial Performance:

LNT's operating income decreased from ₹ 86.41 Crores in FY14 to ₹ 40.51 Crores in FY15, as Cotton Corporation of India has increased its Kapas purchases from farmers in FY15. Profit after tax has marginally increased from ₹ 0.11 Crore in FY14 to ₹ 0.12 Crores in FY15. Partners' Capital stood at ₹ 0.95 Crores as on 31st March 2015.

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

Rating Outlook:

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

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