

## Rating Rationale

**Lakshmi Vinayaka Traders**

**18 Mar 2019**

**Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹. 8.00 Crores of Lakshmi Vinayaka Traders (LVT or 'the firm').**

### Particulars

| Facility                          | Amount (₹ Crs) |             | Tenure                       | Rating*                                                                  |                                                                                                 |
|-----------------------------------|----------------|-------------|------------------------------|--------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|
|                                   | Previous       | Present     |                              | Previous<br>(Oct, 2017)                                                  | Present                                                                                         |
| <b>Fund based<br/>Cash Credit</b> | <b>8.00</b>    | <b>8.00</b> | <b>Long<br/>Term</b>         | <b>BWR B</b><br>(Pronounced as BWR<br>Single B)<br><b>Outlook:Stable</b> | <b>BWR B</b><br>(Pronounced as BWR<br>Single B)<br><b>Outlook:Stable</b><br><b>[Reaffirmed]</b> |
| <b>Total</b>                      | <b>8.00</b>    | <b>8.00</b> | <b>INR Eight Crores Only</b> |                                                                          |                                                                                                 |

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

### Ratings: Reaffirmed

#### Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has primarily relied upon the audited financials up-to FY18, provisional till Jan 2019 certified by management, projected financials upto FY20, publicly available information and the information/clarifications provided by the management.

The rating draws strength from the experience of the proprietor and locational advantage. However, the ratings are constrained by revenue decline, low net worth, low profitability margins, low interest coverage ratio, exposure to agro climatic risks, working capital intensive nature of operations and highly competitive nature of industry.

## Description of Key Rating Drivers

- **Credit Strengths:** Mr P Siva Rami Reddy, proprietor of the firm has over 3 decades of experience in the cotton processing industry and the concern located at Guntur, Andhra Pradesh which is a cotton growing belt and ensures easy availability of raw cotton directly from the farmers
- **Credit Risks:** Revenue decreased by 16.64% from Rs. 33.06 Crs in FY17 to Rs. 27.56Crs in FY18, net-worth is at Rs. 2.35 Crs in FY18, net & operating profit margins are at 0.65% & 3.59% in FY18 and interest coverage ratio is at 0.98times in FY18

Going forward, the ability of the firm to increase its scale of operations by improve its profitability margins and efficiently manage its working capital will be the key rating sensitivities.

## Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

## Rating Outlook: Stable

BWR believes the **Lakshmi Vinayaka Traders** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

## About the Firm

Lakshmi Vinayaka Traders is a proprietorship concern located in Guntur, Andhra Pradesh. Mr P Siva Rami Reddy is the proprietor of the concern. The Concern is engaged in ginning and pressing of cotton Kapas and trading of Cotton Lint and Cotton Seed.

## Firms Financial Performance

The firm has reported a total operating income of Rs.27.56 Crores in FY18 and Rs.33.06 Crores in FY17. Operating and net profit margins reported at 3.59% and 0.65% in FY18 as against 2.42% and 0.54% in FY17. Tangible net-worth stood at Rs.2.35 Crs in FY18. On provisional basis till Jan 2019, certified by management, revenue achieved from April 2018 to Jan 2019 is Rs. 21.65 Crs

### Rating History for the last three years

| Facility   | Current Rating (Mar, 2019) |                   |                                                                         | Rating History      |                                                         |          |
|------------|----------------------------|-------------------|-------------------------------------------------------------------------|---------------------|---------------------------------------------------------|----------|
|            | Type                       | Amount<br>(₹ Crs) | Rating                                                                  | 14.1.2019           | 13.10.2017                                              | 1.7.2016 |
| Fund Based | Long Term                  | 8.00              | BWR B<br>(Pronounced as BWR Single B)<br>Outlook:Stable<br>[Reaffirmed] | Rating Not Reviewed | BWR B<br>(Pronounced as BWR Single B)<br>Outlook:Stable |          |
| Total      |                            | 8.00              | ₹ Eight Crores Only                                                     |                     |                                                         |          |

Status of non-cooperation with previous CRA - Nil; Any other information - Nil

### Key Financial Indicators

| Key Parameters                | Units        | 2018    | 2017    |
|-------------------------------|--------------|---------|---------|
| Result Type                   |              | Audited | Audited |
| Operating Revenue             | Rs In Crores | 27.56   | 33.06   |
| EBITDA                        | Rs In Crores | 0.99    | 0.80    |
| PAT                           | Rs In Crores | 0.18    | 0.18    |
| Tangible Net worth            | Rs In Crores | 2.35    | 2.23    |
| Total Debt/Tangible Net worth | In Times     | 4.22    | 4.18    |
| Current Ratio                 | In Times     | 1.32    | 1.26    |

### Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)



For any other criteria obtain hyperlinks from website

| Analytical Contacts                                                            | Media                                                                      |
|--------------------------------------------------------------------------------|----------------------------------------------------------------------------|
| <b><u>Venkatesh</u></b><br><b><u>Senior Director-Ratings</u></b>               | <a href="mailto:media@brickworkratings.com">media@brickworkratings.com</a> |
| <a href="mailto:analyst@brickworkratings.com">analyst@brickworkratings.com</a> | Relationship Contact                                                       |
|                                                                                | <a href="mailto:bd@brickworkratings.com">bd@brickworkratings.com</a>       |
| <b>Phone: 1-860-425-2742</b>                                                   |                                                                            |

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#### Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).

#### About Brickwork Ratings

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