Rating Rationale

M.V.R. Industries

28Dec2018

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹ 5.27 Crores of M.V.R. Industries.

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based Cash Credit Term Loan -1 Term Loan -2	 4.25 0.53 0.49	Long Term	BWR B+ (Pronounced as BWR Single B Plus) (Outlook : Stable
Total	5.27	INR Five Crores and Twenty Seven Lakhs Only	

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Ratings: Assigned

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon audited financial results up to FY18, projected financials up to FY20, publicly available information and information/clarifications provided by the management.

The rating, inter alia, has factored the partner's experience, increase in revenue and net profit, low gearing level, average interest service coverage factor and adequate liquidity position. However the rating is constrained by small scale of operations, reduced operating profit margin, competition in the industry, weak debt service coverage ratio and inherent risks associated with the constitution being a partnership firm.

Going forward, the Firm's ability to efficiently manage its working capital requirements, improve scale of operations & Margins , service the debt obligations promptly and enhance its capital position are the key rating sensitivities.

Description of Key Rating Drivers

Credit Strengths:

Locational Advantage: The Firm is located in Armoor cluster and thus has a competitive advantage in terms of skilled labor, logistics, production knowledge and vendors making the firm more efficient and cost effective.

firm's Existence: The firm is in existence for 9 years and has seen complete business cycle.

Revenue from Operations: The firm's revenue from operations has grown substantially by 89.64 % in the FY 18.

Account Receivables: The firm's Account Receivable days of 50 is reasonable.

Partners experience: Three partners have more than 2 decades of experience in rice milling business.

Credit Risks:

Constitution: withdrawal of capital by the Partners for any personal contingency would adversely affect the capital structure of the firm & Limitations of Partnership constitution in terms of capital and management.

Competition in the Industry: Entry barriers in the industry are low on account of limited capital and technology requirement and also low differentiation in the end product leading to intense competition and limiting the pricing power resulting in low profitability.

Weak financial profile : Low networth in FY18 is Rs.3.17Crs , weak debt service coverage ratio indicated by DSCR of 0.79 times in FY18 and decrease in operating profit margin to 10.87% in FY18 against 17.02% in FY17.

Liquidity position : The firm has reported current ratio of 10.76 times in FY18 which indicates adequate liquidity position. As on 31-3-2018 the cash balance is Rs. 0.09 Crs. The average cash credit utilization is 85% which indicates the Firm has financial flexibility. However the partners have ability to infuse capital as and when required.

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 **M.V.R. Industries** 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

M V R Industries was established in the year 1992 as a partnership based in Armoor, Nizamabad, Telangana.The firm is running a rice mill in Armoor, Nizamabad, Telangana.The firm is a regular supplier of rice for Thirumala Thirupathi Devastanam from past 10 years.The founder of the business is Radhakishan Mukka, who was into trade of rice and byproducts from 1965. The firm has adjusted according to the situations and market conditions over the past 2 decades updating from raw rice mill to boiled rice mill than to satake sortex mill. The main product of the firm is quality premium rice. Broken rice, bran, husk and param are the by products of the firm. Dheeraj Kumar, Suraj Kumar, Radhakishan, Vijaya, Rajyalakshmi and Sumalatha are the partners of the firm.

Firm Financial Performance

As per audited financials of FY18, The Firm has reported total operating income of ₹ 10.39 Crs as compared to ₹ 5.48 Crs in FY17 . Operating profit margin of the Firm is at 10.87% and net profit margin of 0.33% in FY18. The Firm has net worth of ₹ 3.17 Crs in FY18. Debt Equity ratio of the Firm stood at 1.09 times in FY18. The Firm has reported ISCR of 1.43x & DSCR of 0.79x in FY19.

Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		**Audited**	**Audited**
Operating Revenue	₹ Cr	10.39	5.48
EBITDA	₹ Cr	1.13	0.93
PAT	₹ Cr	0.03	0.00
Tangible Net worth	₹ Cr	3.17	2.74
Total Debt/Tangible Net worth	Times	1.09	1.68
Current Ratio	Times	10.76	7.15

Rating History for the last three years

Facility	Current Rating			Rating History		
	Type	Amount (₹ Crs)	Rating	2017	2016	2015
Fund Based	Long Term	5.27	**BWR B+ (Pronounced as BWR Single B Plus) (Outlook : Stable**	**Not Rated**		
Total		**5.27**	**INR Five Crores and Twenty Seven Lakhs Only**			

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

Hyperlink/Reference to applicable Criteria

- **General Criteria**
- **Approach to Financial Ratios**
- **Manufacturing Companies**

For any other criteria obtain hyperlinks from website

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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 Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

DISCLAIMER

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