

Rating Rationale

Brickwork Ratings assigns 'BWR B' & 'BWR A4' for Bank Loan Facilities aggregating ₹ 8.28 Cr of M/s Mahalaxmi Agro Industries.

Brickwork Ratings has assigned following **Ratings¹** for Bank Loan facilities of M/s Mahalaxmi Agro Industries (*The Firm*).

Facility	Limits (₹ Cr)	Tenure	Rating
Fund Based Limits(FB)			
Cash Credit	7.00	Long term	BWR B (Pronounced BWR B) Outlook: Stable
Term Loan-1	0.74*		
Term Loan-2 (Sub limit under FLC)	(0.41)^		
Total FB	7.74		
Non Fund Based Limits(NFB)			
Foreign Letter of Credit (FLC)	0.54^	Short term	BWR A4 (Pronounced BWR A Four)
Total NFB	0.54	INR Eight Crores and Twenty Eight Lakhs only	
Total FB+NFB	8.28		

*outstanding as on 28.10.2014

^FLC loan will be converted to Term loan after two years.

BWR has essentially relied upon the audited financials up-to FY 13, provisional financials of FY14 and publicly available information and information/clarifications provided by the firm's management.

The ratings assigned derive its strengths from experienced partners in the business, ten years of existence in the business and marginal improvement in operating and net profit margins. However, the ratings assigned are constrained by low capital base, continuous decline in sales and thin profitability margins mainly due to volatility in raw material pricing. The ratings assigned also factors the nature of the business it caters and highly monitored by the regulatory norms.

Background

M/s Mahalaxmi Agro Industries established in June 2005 as a partnership firm and located at Thimmapur, Warangal (Dt.), Telangana. Firm is engaged in rice milling. Firm has capacity of 1000Qunitals to process per day. The firm is located across 3.75 Acres. The firm has two go-downs located at same premises to store the raw materials and finished goods. The firm has also installed a generator of 125KVA.

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

Firm procures ~90% of paddy (raw material) through direct farmers located around Warangal District. Firm's ~90% of revenues are generated through FCI (Food Corporation of India) and the rest from export traders.

The firm is being managed by Mr. N Prakash Rao and Mr. N Narsinga Rao. Mr. N Prakash Rao is the managing partner and has twenty five years of experience in the same line of business. Mr. N Narsinga Rao is a partner and has twenty five years of experience. The other partners are Mr. Nama Laxman Rao and Mrs. G Laxmi.

Financial Performance

As per FY14 provisional data, Firm revenues have declined from Rs. 22.33 crores in FY13 to Rs. 17.04 crores in FY14 mainly due to non-availability of paddy. Firm's operating margin and net profit margin reported at 3.79% and 0.29% in FY14 against operating and net profit margin of 2.96% and 0.18% in FY13 respectively. Interest service coverage ratio of the firm improved from 1.56 times in FY13 to 1.86times in FY14. Firm's tangible net-worth reflected at Rs. 1.04 crores in FY14. Firm is availing working capital limits of Rs. 7.00 crores and term loans from Karur Vysya Bank. The firm has reported negative cash conversion cycle with receivables of 7 days, payables of 17 days and inventory of 1 day.

Rating Outlook

The outlook of the firm for the next one year is expected to be stable. Going forward, ability of the firm to improve scale of operations, profitability margins and capital base will remain key rating sensitivities.

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