



Rating Rationale

Sri Annapurna Agro Industries

29 July 2019

Brickwork Ratings Reaffirms the ratings for the Bank Loan Facilities of ₹. 10.45 Crores of Sri Annapurna Agro Industries.

Particulars

Facility	Previous Rated Amount (₹ Crs)	Present Rating Amount (₹ Crs)	Tenure	Previous Rating (March 2018)	Present Rating
Fund Based	11.12	10.45	Long Term	BWR B (Pronounced BWR Single B) Outlook: Stable	Reaffirmed at BWR B (Pronounced BWR Single B) Outlook: Stable
Total	11.12	10.45	INR Ten Crores and forty five lakhs only		

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

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financial results of Sri Sai Industries up to FY18, provisional financial statements of FY19 and information and clarifications provided by the Company.

The rating derives strength from long track record of promoters in the rice milling industry, locational advantage. However, the rating is constrained by its below average financial risk, stretched liquidity, industry risks, small scale of operations and low profitability.

Description of Key Rating Drivers

- **Credit Strengths:**

Promoters experience and Established Operations: The firm is managed by Mr. M.

Srinivas who has been in rice milling industry for more than two decades.



Locational Advantage: Proximity of the rice mill to major paddy growing areas provides easy access to paddy and results in lower operational expenses.

- **Credit Risks:**

Small and stagnant scale of operations: The firm's scale of operations remained modest marked by total operating income of Rs. 41 crores and PAT of the firm remained low at Rs. 0.36 crores.

Constitution Risk: The firm is a partnership firm which has the inherent risk of possibility of withdrawal of the partners' capital at the time of personal contingency

Highly competitive and fragmented industry structure: Majority units operating in the rice milling sector being in the small scale sector has resulted in the sector being highly fragmented and competitive. Given that the processing activity does not involve much technical expertise or high investment, the entry barriers are low.

Seasonality and Agro-climatic risk: The rice and paddy growth is vulnerable to rain fall in the areas, which can affect the production and prices of paddy.

Liquidity: Stretched

Liquidity is marked by tightly matched accruals to repayment obligations, highly utilized limits and modest cash balance.

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 **Sri Annapurna Agro 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 Company

Sri Annapurna Agro Industries is a partnership firm which was established in 2009. It is located in Raichur. The firm is engaged in the processing of paddy into rice and broken rice. The firm has an installed processing capacity 8 tons per hour. The partners of the firm are M. Srinivas, M. Sarojamma, M. Madhavalatha and M. Srilaxmi.

Company Financial Performance

The firm has reported operating revenue of Rs. 41.43. crores in FY18 and Rs. 44 crores in FY19 on a provisional basis. The net profit of the company is Rs 0.36 crore in FY18 and Rs. 0.40 crores in FY17. IN FY19, the company reported a net profit of 0.4 crores on a provisional basis.

Rating History for the last three years

S.No	Instrument	Current Rating			Rating History		
		Type	Amount (₹ Crs)	Rating	2018	2017	2016
	Fund Based	Long Term	10.45	BWR B (Pronounced BWR Single B) Outlook: Stable	BWR B Outlook: Stable	BWR B Outlook: Stable	BWR B Outlook: Stable
	Total		10.45	₹ Ten Crores and Forty Five Lakhs Only			

Status of non-cooperation with previous CRA -None

Any other information- None

Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		Audited	Audited
Operating Revenue	₹ Cr	41.43	43.91
EBITDA	₹ Cr	2.99	3.23
PAT	₹ Cr	0.36	0.4
Tangible Net worth	₹ Cr	5.12	4.6
Total Debt/Tangible Net worth	Times	2.87	3.14
Current Ratio	Times	1.46	1.36



Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacture Sector](#)

Analytical Contacts	Investor Contacts
<p>K S Nagaraj Associate Director - Ratings B :+91 80 4040 9940 nagaraj.ks@brickworkratings.com</p> <p>Shivangi Gupta Ratings Analyst B :+91 80 4040 9940 Ext :347 shivangi.g@brickworkratings.com</p>	<p>Satish Nair Director - Global Market Development & Investor Relations M : +91 7738875550 B : +91 22 6745 6666 satish.n@brickworkratings.com</p>
<p>1-860-425-2742</p>	

For print and digital media

The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wording in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

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, has also been 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 Nationalized 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, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.



BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 10,00,000 Cr. In addition, BWR has rated over 6300 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹24,440 Cr have been rated.

DISCLAIMER

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.