



Rating Rationale

Sri Dhanalaxmi Agro Industries

4 Jul 2018

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹. 14.60 Crores of Sri Dhanalaxmi Agro Industries.

Particulars

Facility Fund based	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (October, 2016)	Present
Cash Credit	9.40	13.00	Long Term	BWR B (Pronounced as BWR single B) Outlook: Stable	BWR B (Pronounced as BWR single B) Outlook: Stable (Reaffirmed)
Term Loans	2.54	1.60			
Total	11.94	14.60	INR Fourteen Crores and Sixty Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
TLs O/s as on 4.7.2018

Ratings:Reaffirmed

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the firm's Audited financial results of FY17, CA certified provisionals for FY18, publicly available information and the information/clarifications provided by the firm's Management.

The ratings draw comfort from the experience of the promoters in trading, milling and processing of rice, increased revenues, and relationship with customers. The assigned rating is, however primarily constrained by its low profitability margins, low net worth, high gearing, working capital intensive nature of operations, susceptible to agro-climatic risks and highly fragmented and inherent risk of firm being partnership.



Going forward the ability of the firm to improve the scale of operations, improve profit margins in an intensely competitive environment, strengthen its overall financial performance and manage working capital requirements efficiently, and timely repayment of debt obligations would be the key rating sensitivities.

Description of Key Rating Drivers

Credit Strengths: Experienced of the two promoters is more than a decade, relationship with customers is more than five years, revenues improved from Rs. 32.80 Crs in FY16 to Rs. 57.19 Crs in FY17.

Credit Risks: Net worth reported Rs. 3.34 Crs in FY17, reduced net profit and operating profit margins from 0.02% and 6.09% in FY16 to 0.00% and 3.01% in FY17, debt equity ratio reported at 4.80 times in FY17.

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 Dhanalaxmi 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 Dhanalaxmi Agro Industries (SDAI) was established in 2012 as a partnership firm concern by Mr. Nakkalapudu Sai, Mr. Palacharla Krishna, Mr. Palacharla Sunil Kumar, Mrs. Nakkalapudu Surekha, and Mrs. Palacharla Laxmi. SDAI is primarily engaged in milling of paddy and produces raw & boiled rice and other by products in the domestic market. The milling unit is located at Gundaram village of Nizamabad district, Telangana with milling capacity of 4 tons per hour (TPH) for and 4 tons per hour (TPH) for para boiled plant. SDAI sells its product under the brand names "SWAN and HONEY".

Company Financial Performance

Revenue has improved from ₹ 32.80 Crs in FY16 to ₹ 57.08 Crs in FY17. PAT is reported at ₹ 0.00 Crs in FY17 reduced from ₹ 0.01 Crs in FY16. As informed by the management of the company & CA Certified provisionals reported sales of Rs. 60.45 Crs in FY18 and PAT is reported at ₹ 0.39 Crs in FY18.

Rating History for the last three years

S. No	Facility	Current Rating (2018)			Rating History		
		Type	Amount (₹ Crs)	Rating	2017	18.10.2016	2015
	Fund Based	Long Term	14.60	BWR B (Pronounced as BWR single B) Outlook:Stable (Reaffirmed)	Not Rated	BWR B (Pronounced as BWR single B) Outlook:Stable	Not Rated
	Total		14.60	₹ Fourteen Crores and Sixty Lakhs Only			

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

Key Financial Indicators

Key Parameters	Units	2015	2016	2017	2018
Result Type		Audited	Audited	Audited	CA Certified Provisionals
Operating Revenue	₹ Cr	23.35	32.80	57.19	60.45
EBITDA	₹ Cr	1.39	2.00	1.72	2.40
PAT	₹ Cr	(0.25)	0.01	0.00	0.39
Tangible Net worth	₹ Cr	1.13	4.61	3.34	3.35
Total Debt/Tangible Net worth	Times	11.61	2.68	4.80	5.22
Current Ratio	Times	1.47	1.32	1.58	1.34

Hyperlink/Reference to applicable Criteria

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



- [Infrastructure Sector](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website

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For print and digital media

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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. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 11,99,663 Cr. In addition, BWR has rated over 6819 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹48,803 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.