



## Rating Rationale

Sri Srinivasa Rice Mill

December 14, 2017

**Brickwork Ratings revises the ratings for the Bank Loan Facilities of ₹. 14.80 Crores of Sri Srinivasa Rice Mill.**

### Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Dec, 2016)	Present
Fund based Cash Credit	8.80	8.80	Long Term	BWR B+ (BWR Single B Plus) Outlook: Stable	BWR BB- (BWR Double B Minus) Outlook: Stable Upgraded
DL-WHR	4.00	5.00			
Non Fund Based Bank Guarantee	1.00	1.00	Short Term	BWR A4 (BWR A Four)	BWR A4 (BWR A Four) Reaffirmation
<b>Total</b>	<b>13.80</b>	<b>14.80</b>	<b>Rs.14.80 INR Fourteen Crores and Eighty lakhs Only</b>		

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

### Ratings: Long Term Rating Upgraded and Short Term Rating Reaffirmed

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

BWR has principally relied upon the audited financial statements up to FY17, and publicly available information and information/clarifications provided by the firm Management.

Rating derives comfort from the promoters experience of the promoters, long track record of operations, increased revenues, low gearing and favorable demand prospects for the rice industry.

However the ratings are constrained by working capital intensive nature of operations, low networth, competitive industry, elongated conversion cycle, susceptible to agro-climatic conditions and inherent risk being a partnership firm.



Going forward the firm's ability to increase its scale of operations and profitability, as well as maintain its capital structure, and managing its working capital requirements effectively would be the key rating sensitivities

#### **Description of Key Rating Drivers**

- **Credit Strengths:**

Promoters has more than 2 decades in rice processing industry, revenues are increased from Rs 27.26 Crs in FY17 to Rs 35.98 Crs in FY16, firm's gearing stood at 0.86 times in FY17.

- **Credit Risks:**

As on 31/03/2017 the Firm's tangible networth stood at Rs.6.42 Crs, conversion cycle 121 days 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 Srinivasa Rice Mill** 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/s Sri Srinivasa Rice Mill (SSRM), established as partnership firm in the year 1982, it is engaged in the trading and milling of paddy and produces raw and boiled rice. It is promoted by Mr. CH.S.V. Satyanarayana Murthy and other 14 family members. The firm has a milling unit in West Kandriga, Kapileswarapuram Mandal (East Godavari district) of Andhra Pradesh with a milling capacity of 360 metric tonne per day (MTPD). The major part of the paddy milling operations undertaken by the firm has been in the form of custom milling operations for the Government of Andhra Pradesh.

#### **Firm Financial Performance**

As per audited financial of FY17, SSRM has reported EBITDA of Rs.1.70 crore and Net profit of Rs.0.28 crore on total operating income of Rs.35.98 crore as against EBITDA of Rs.1.00 crore and Net Profit of Rs.0.05 crore on total operating income of Rs.27.26 crore in FY16. As on 31/03/2017 the Firm's tangible networth stood at Rs.6.42 Crs, with Debt/Equity ratio is 0.86 times, Net Profit Margin, Operating Profit Margin, and Current Ratio have been recorded at 0.77%, 4.73 %, 1.91 times respectively.



### Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2017)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2016	2015	2014
1	Fund Based Cash Credit	Long Term	8.80	<b>BWR BB- Outlook:Stable Upgraded</b>	<b>BWR B+</b>	<b>Not Rated</b>	<b>Not Rated</b>
2	DL-WHR		5.00				
3	Non Fund Based Bank Guarantee	Short Term	1.00	<b>BWR A4 Reaffirmed</b>	<b>BWR A4</b>		
<b>Total</b>			<b>14.80</b>	<b>Rs. 14.80 INR Fourteen Crores and Eighty lakhs Only</b>			

Status of non-cooperation with previous CRA (if applicable)-Reason and comments : Not Available  
Any other information: None

### Key Financial Indicators

Key Parameters	Units	2017	2016
<b>Result Type</b>			
Operating Revenue	Crores	35.98	27.26
EBITDA	Crores	1.70	1.00
PAT	Crores	0.28	0.05
Tangible Net worth	Crores	6.42	5.55
Total Debt/Tangible Net worth	Times	0.86	1.28
Current Ratio	Times	1.91	1.76



## Hyperlink/Reference to applicable Criteria

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

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](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto: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.



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