

## Rating Rationale

### Brickwork Ratings reaffirms the long term rating of 'BWR B' for the Bank Loan Facilities aggregating ₹ 11.43 Cr of M/s Sri Subbulakshmi Modern Rice Mill

Brickwork Ratings (BWR) has *reaffirmed* the following **Rating<sup>1</sup>** for the Bank Loan facilities of M/s Sri Subbulakshmi Modern Rice Mill (or “the firm”)

Facility Fund Based	Previous Limits (₹ Cr)	Present Limits (₹ Cr)	Tenure	Previous Rating May 11, 2015	Present Rating
Cash Credit	7.50	<b>11.00</b>	Long Term	BWR B Outlook:Stable	<b>BWR B Reaffirmed (Pronounced BWR Single B) Outlook: Stable</b>
Term Loans#	0.50	<b>0.43#</b>			
<b>Total</b>	8.00	<b>11.43</b>	<b>INR Eleven Crore Forty Three lakh only</b>		

# Outstanding balance as on 10/05/2016

BWR has essentially relied upon the firm’s audited financial results of FY15, publicly available information and the information/clarifications provided by the Company.

The ratings draw comfort from the experience of the partners in trading, milling and processing of rice, locational advantage of the processing unit. However, the assigned rating is, primarily constrained by, reduced profitability margins over the years, high gearing, low net-worth, reduced net cash accruals to debt, weak interest coverage indicator, working capital intensive nature of operations, inherent risk in the constitution of firm, susceptible to agro-climatic risks and highly fragmented and intensely competitive industry.

#### Background:

M/s Sri Subbulakshmi Modern Rice Mill was established as partnership concern in March 2003. The firm is engaged in milling of paddy and produces raw and boiled rice. Mr. M.S Rajendran, Ms.R. Ambika, Mr.R. Hari Krishna are the partners of the firm. The firm’s operations are overseen by managing partner, Mr. M.S Rajendran, who has been involved in the rice milling industry for more than 3 decades. The firm has its factory and registered office located at Durugan Road, Neelamangalam, Kallakurichi Taluk, Villupuram, Tamilnadu. The installed production capacity of the plant is 8000 Metric tons per annum.

#### Financial Performance:

During FY2015, the firm has registered OPBDIT and PAT of Rs.1.13 crore and Rs.0.12 crore on a total operating income of Rs.48.44 crore as against OPBDIT and PAT of Rs.1.03 crore and Rs.0.09 crore on a total operating income of Rs.30.59 crore in FY 2014. As on 31<sup>st</sup> March 2015 partner’s capital stood at Rs.4.37 crore Coupled with Debt/Equity ratio of 2.16 times.

<sup>1</sup> Please refer to [www.brickworkratings.com](http://www.brickworkratings.com) for definition of the Ratings

Firm's operating profit margin, net profit margins recorded at 2.32 %, 0.24 % and Current ratio stood at 1.37 times in FY15.

### Rating Outlook:

The outlook is expected to be stable for the current year. Going forward, firm's ability to sustain/improve its revenue growth, while maintaining its profitability, strengthen its overall financial performance and efficiently manage its working capital would be the key rating sensitivities.

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