



## Draft Rating Rationale

Sri Venkata Padmavathi Modern Rice Mill

20 Mar 2019

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**Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 7.00 Crores of Sri Venkata Padmavathi Modern Rice Mill, Gudivada, Andhra Pradesh.**

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### Particulars

Facilities	Amount (₹ Crs)	Tenure	Ratings*
<b>Fund Based</b>			
Open Cash Credit	6.00	Long Term	<b>BWR B-</b> <b>Outlook: Stable</b> Pronounced As BWR Single B Minus
<b>Non Fund Based</b>			
Bank Guarantee	1.00	Short Term	<b>BWR A4</b> Pronounced As BWR A Four
<b>Total</b>	<b>7.00</b>		<b>INR Seven Crores Only</b>

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

### Ratings Assigned

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

Brickwork Ratings has essentially relied upon the audited financials upto FY18, projected financials of FY19, publicly available information and information/clarifications provided by the firm's management.

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The ratings draws strength from the experience of the partners in the paddy process and trading, established operational track record and locational advantages, However, the ratings are constrained by the intensive industry competition, exposure to agro climatic risks, constitution as partnership and working capital intensive nature of operations.

Going forward, the ability of the firm to increase its scale of operations profitably, strengthen its overall credit profile and manage its working capital efficiently would be the key rating sensitivities.

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

##### **Credit Strengths:**

- The partners have more than two decades of experience in paddy processing and trading, which has helped them to understand local market dynamics and establish relationships with customers and suppliers.
- The processing unit is located at Gudivada, Andhra Pradesh and is close to the paddy growing belt in Andhra Pradesh, which ensures availability of rice directly from the farmers and commission agents.

##### **Credit Risks:**

- Capital structure is low with partners capital and gearing ratio were around Rs.2.36 Crs and 3.20 times, respectively as on 31<sup>st</sup> March 2018.
- Since paddy is an agricultural commodity, its availability depends on the vagaries of the monsoon. It is exposed to inherent price fluctuation risk associated with agro based commodities.
- Entry barriers in the rice milling industry are low on account of limited capital & technology requirements and low differentiation in the end product. This leads to intense competition and limits players' pricing power, resulting in lower profitability.
- Working capital requirements are high because of the high inventory level needed due to seasonal availability of paddy.
- Constitution as partnership firm has the inherent risk of possible withdrawal of the capital by partners which can adversely affect its capital structure.

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## **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 Venkata Padmavathi Modern 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**

Sri Venkata Padmavathi Modern Rice Mill (SVPMRM) was established in 2000, Gudivada, Krishna., Andhra Pradesh. The firm procures paddy directly from the farmers and commission agents and is engaged in the grading of rice products and trading. The installed capacity of the firm is 100 MT per day in two mills and average utilization is more than 80% of the capacity. The major customers are Sri Saravana Traders, Karuvannur Traders, Veeraiah Solvents Pvt Ltd, Ananda Bhagavati Foods Pvt Ltd and Paul & Co. The SVPMRM's rice processing unit is spread across in 3 acres of firms own land.

Mr. Narasimha Rao G is the managing partner.

## **Firm Financial Performance**

Sri Venkata Padmavathi Modern Rice Mill reported a revenue of Rs.15.11 Crs and PAT of Rs.0.02 Crs for FY18 as against revenue of Rs.15.06 Crs and PAT of Rs.0.02 Crs in FY17. Partners capital was low at Rs.2.36 crore as on 31<sup>st</sup> March 2018. Total Debt was Rs. 7.55 crore and current ratio was 1.45 times as on 31<sup>st</sup> March 2018.

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**Key Financial Indicators**

Key Parameters	Units	2018	2017
Result Type		Audited	Audited
Operating Revenue	₹ Cr	15.11	15.06
EBITDA	₹ Cr	1.18	1.16
PAT	₹ Cr	0.02	0.02
Partners Capital	₹ Cr	2.36	2.63
Total Debt/Partners Capital	Times	3.20	2.60
Current Ratio	Times	1.45	1.55

**Rating History for the last three years**

S.No	Instrument /Facilities	Current Ratings (2019)			Ratings History		
		Type	Amount(₹ Crs)	Ratings	2018	2017	2016
1	Open Cash Credit	Long Term	6.00	<b>BWR B- Outlook: Stable</b> Pronounced As BWR Single B Minus	NA	NA	NA
5	Bank Guarantee	Short Term	1.00	<b>BWR A4</b> Pronounced As BWR A Four	NA	NA	NA
	<b>Total</b>		<b>7.00</b>	<b>₹ Seven Crores Only</b>			

Status of non-cooperation with previous CRA - Not Applicable

Any other information - Not Applicable

Hyperlink/Reference to applicable Criteria

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



- [Manufacturing Companies](#)
- [Short Term Debt](#)

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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, 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.

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