



Rating Rationale

Srinivasa Industries

6 Aug 2018

Brickwork Ratings assigns BWR B (Outlook: Stable) for the Bank Loan Facilities of Rs. 5.47 Crores of Srinivasa Industries (SI or the firm), Ramayampet, Medak, Telangana.

Particulars

Facilities [#]	Amount (Rs. Crs)	Tenure	Rating*
Fund based			
Open Cash Credit	3.20	Long Term	BWR B Pronounced as BWR Single B (Outlook: Stable)
Term Loan	2.27		
Total	5.47	Rs. Five Crore and Forty Seven Lakhs Only	

Annexure I provides bank wise details of facilities

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

Rating Assigned

Rationale/Description of Key Rating Drivers/Rating sensitivities:

Brickwork Ratings has essentially relied upon the audited financials upto FY17, provisionals financials of FY18, projected financials of FY19 and FY20, publicly available information and information/clarifications provided by the firm's management.

The rating draws strength from the experience of partners in paddy processing and trading and locational advantages, However, the rating is constrained by the small scale of operations, low capital, intensive industry competition, exposure to agro climatic risks 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 promoters have more than two decades of experience in rice 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 Medak, Telangana and is close to the paddy growing belt in Telangana, which ensures availability of raw material (paddy) directly from farmers.

Credit Risks:

- Commercial operations commenced in June 2017. Revenue was modest at around Rs 9.00 Crs for FY18.
- 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.

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 **Srinivasa 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 Firm

Srinivasa Industries (SI) was established in 2016 as a partnership firm at Ramayampet, Medak, Telangana. Commercial operations commenced in June 2017. The firm is engaged in the milling of paddy to produce boiled rice and by-products like broken rice, husk and rice bran. The firm's rice processing unit spread across 5.5 acres, with an installed capacity of processing 80 tons of



paddy per day. The firm also undertakes job work for the FCI - Food Corporation of India under Custom Milled Rice (CMR) scheme.

Mr. Emmadi Srinivas is the managing partner of the firm.

Financial Performance

On a provisional basis, the firm reported revenue of Rs.9.11 Crs and PAT of Rs.0.05 Crs for FY18. Partners Capital was low at Rs.2.59 Crs and total debt was Rs.3.99 Crs as on 31st March 2018.

Rating History for the last three years

Sl. No.	Facilities	Current Rating (Year 2018)			Rating History		
		Type	Amount (Rs. Crs)	Rating	2017	2016	2015
1	Open Cash Credit	Long Term	3.20	BWR B Outlook: Stable	NA	NA	NA
2	Term Loan		2.27				
Total			5.47 (Rs. Five Crores and Forty Seven Lakhs Only)				

Status of non-cooperation with other CRA - Not Applicable

Any other information: Not Applicable

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Manufacturing Companies](#)
- [Approach to Financial Ratios](#)
- [Trading Entities](#)



Analytical Contacts	Media
<u>Nagaraj KS</u> Chief Manager - MSME analyst@brickworkratings.com	media@brickworkratings.com
	Relationship Contact bd@brickworkratings.com
Phone: 1-860-425-2742	

Annexure I
Srinivasa Industries
Medak, Telangana

Name of the Bank	Facilities	Tenure	Facilities Type	Amount Rated (Rs. Crs)
Andhra Bank, Ramayampet Branch, Medak, Telangana.	Open Cash Credit	Long Term	Fund Based	3.20
	Term Loan			2.27
Total				5.47

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.

BWR has rated over 30 PSUs/Public Sector banks, as well as many major private players. BWR has a major presence in ULB rating of nearly 102 cities

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.