

## Rating Rationale

### Brickwork Ratings assigns 'BWR B+' for the Bank Loan Facilities aggregating ₹ 7.63 Cr of Ashta Lakshmi Rice Industry

Brickwork Ratings (BWR) has assigned the following **Rating**<sup>1</sup> for the Bank Loan Facilities of ₹ 7.63 Cr of Ashta Lakshmi Rice Industry.

Facility	Limits (₹ Cr)	Tenure	Rating
Cash credit	6.00	Long Term	<b>BWR B+</b> (BWR B Plus)  <b>Outlook: Stable</b>
SME Credit Plus	0.25		
Long Term	1.38*		
<b>Total</b>	<b>7.63</b>	<b>INR Seven Crores Sixty Three Lakhs only</b>	

\*outstanding amount as on 03.08.2013

The ratings, favorably takes into account the vast experience of the partners and demand for rice industry in India. However, the ratings are constrained by the modest scale of operations of Ashta Lakshmi Rice Industry and its financial risk profile marked by high gearing ratio due to low capital base, weak net cash accruals to total debt and low profitability margins. It is also constrained by intense competition from organized and unorganized players in the industry, government regulations and the cyclicity inherent in the rice milling industry.

#### Background:

M/s Ashta Lakshmi rice industry was established in the year 2010 as a partnership concern. The firm is located at Mandapeta, East Godavari Dt. The firm manufactures rice products. The firm sells its products with the brand name of ALR. The firm purchases paddy from different districts of Andhra Pradesh and Orissa. At Present the firm is processing 400 Quintals per day against the installed capacity of 600 Quintals per day. Key customers to the firm are FCI and Kerala traders. Firm also deals with the export traders.

The firm Managing Partner **Mr. G Krishna Murthy** has 15 years of Experience in rice milling industry. There are total 18 partners for the firm. All the partners are family members of Mr. G Krishna Murthy.

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

**Financial Performance:**

During FY12, the net revenue from operations is Rs. 20.67 crores. The firm’s profitability is low with operating profit margin of 9.02 per cent and net profit margin of 0.21 per cent for FY 12. The firm net profit margins have declined from operating profit margins due to high interest and finance cost. The firm has stretched liquidity position with current ratio of 1.09 times in Fy12. The firm’s cash conversion cycle is 58 days. The firm has weak debt protection matrix coupling with net cash accruals to total debt of 0.11 times in FY12. The tangible net-worth is Rs. 2.27 crores for FY12.

**Rating Outlook:**

The rating reflects the position of the firm in the segment of the industry it caters to. Going forward, the ability of the firm to improve capacity utilization by efficient inventory management of major input paddy due to its seasonal availability, to improve capital structure, regulatory risk on rice mills and maintaining its growth would be the key rating sensitivities.

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