



## Sri Lakshmi Srinivasa Hi-Tech Industries

| Instrument               | Amount<br>(Rs. crore)              | Rating Action<br>November 2015  |
|--------------------------|------------------------------------|---------------------------------|
| Fund Based - Cash Credit | 9.00 (enhanced from 6.00)          | [ICRA]B+; upgraded from [ICRA]B |
| Fund Based - Term Loan   | 4.20 (reduced from 5.70)           | [ICRA]B+; upgraded from [ICRA]B |
| <b>Total</b>             | <b>13.20 (enhanced from 11.70)</b> |                                 |

ICRA has upgraded the long-term rating assigned to the Rs. 9.00 crore<sup>\*</sup> (enhanced from Rs. 6 crore) cash credit facility and Rs. 4.20 crore (reduced from Rs. 5.70 crore) term loan facility of Sri Lakshmi Srinivasa Hi-Tech Industries (SLSHI) from [ICRA]B (pronounced ICRA B) to **[ICRA]B+** (pronounced ICRA B plus)<sup>†</sup>.

### Rating Rationale

The rating upgrade factors in the infusion of capital to the tune of Rs 2.21 crore with two new partners which has increased the net-worth of the firm in FY2016, thereby, improving the capital structure and coverage indicators. The rating also takes note of the long experience of the promoters in the rice industry and easy availability of raw material owing to presence in a major rice producing region. ICRA takes note of the growth in revenue in FY 2015 on account of increased sale of whole rice and the favorable demand prospects for the firm as it caters to Karnataka and AP markets where rice is a staple food.

The rating, however, takes into account in the moderate scale of operations of the firm, its low profitability, and weak capital structure owing to the high debt funded capex leading to high gearing levels and stretched debt protection metrics, notwithstanding the improvement in the current fiscal. The rating also takes into account the moderate liquidity position of the firm on account of immediate payment to the farmers and high receivable days which combined with low margins has led to negative fund flow from operations for the firm. The rating also factors in the limited track record of the firm's operations, the commoditized and intensely competitive nature of the rice milling business, and the inherent risks involved in the partnership nature of business. ICRA notes that the firm's operations are vulnerable to agro climatic risks affecting the availability of the raw material (paddy) and also to government policies on paddy procurement and selling of rice.

### Firm's Profile

Sri Lakshmi Srinivasa Hi-Tech Industries (SLSHI) is a partnership firm established in the year 2011 by Mr. T. Srinivas Rao and Ms. T. Mangadevi. Mr. T. Srinivas Rao has an experience of around 9 years in this line of business and looks after the overall business operations. The firm is engaged in the manufacture of raw rice and parboiled rice. The firm operates from an owned manufacturing facility which is located at Raichur in Karnataka and commenced commercial operations from March-2013.

### Recent Results

SLSHI reported a profit after tax (PAT) of Rs. 0.6 crore on an operating income (OI) of Rs. 63.1 crore in FY2015, as against a PAT of Rs. 0.4 crore on an OI of Rs. 42.5 crore in FY2014.

**November 2015**

<sup>\*</sup> 1 crore = 100 lakh = 10 million

<sup>†</sup> For a complete rating scale and definitions, please refer to ICRA's website ([www.icra.in](http://www.icra.in)) or other ICRA rating publications.



*For further details, please contact:*

**Analyst Contacts:**

**Mr. Sabyasachi Majumdar** (Tel. No. +91 124 4545304)  
sabyasachi@icraindia.com

**Relationship Contacts:**

**Mr. Jayanta Chatterjee** (Tel. No. +91-80-43326401)  
jayantac@icraindia.com

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**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001  
Tel: +91-11-23357940-50, Fax: +91-11-23357014

**Corporate Office****Mr. Vivek Mathur**

Mobile: **9871221122**

Email: [vivek@icraindia.com](mailto:vivek@icraindia.com)

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002  
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax: +91- 124-4050424

**Mumbai****Mr. L. Shivakumar**

Mobile: **9821086490**

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

1802, 18th Floor, Tower 3,  
Indiabulls Finance Centre,  
Senapati Bapat Marg,  
Elphinstone, Mumbai 400013,  
Board : +91-22-61796300; Fax: +91-22-24331390

**Kolkata****Mr. Jayanta Roy**

Mobile: **+91 9903394664**

Email: [jayanta@icraindia.com](mailto:jayanta@icraindia.com)

A-10 & 11, 3rd Floor, FMC Fortuna  
234/3A, A.J.C. Bose Road  
Kolkata—700020  
Tel +91-33-22876617/8839 22800008/22831411,  
Fax +91-33-22870728

**Chennai****Mr. Jayanta Chatterjee**

Mobile: **9845022459**

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

5th Floor, Karumuttu Centre  
634 Anna Salai, Nandanam  
Chennai—600035  
Tel: +91-44-45964300; Fax: +91-44 24343663

**Bangalore****Bangalore****Mr. Jayanta Chatterjee**

Mobile: **9845022459**

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

'The Millenia'  
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,  
Murphy Road, Bangalore 560 008  
Tel: +91-80-43326400; Fax: +91-80-43326409

**Ahmedabad****Mr. L. Shivakumar**

Mobile: **989986490**

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

907 & 908 Sakar -II, Ellisbridge,  
Ahmedabad- 380006  
Tel: +91-79-26585049, 26585494, 26584924; Fax: +91-  
79-25569231

**Pune****Mr. L. Shivakumar**

Mobile: **989986490**

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

5A, 5th Floor, Symphony, S.No. 99, CTS 3909, Range Hills  
Road, Shivajinagar, Pune-411 020  
Tel: + 91-20-25561194-25560196; Fax: +91-20-25561231

**Hyderabad****Mr. Jayanta Chatterjee**

Mobile: **9845022459**

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

4th Floor, Shobhan, 6-3-927/A&B, Somajiguda, Raj  
Bhavan Road, Hyderabad—500083  
Tel:- +91-40-40676500