

Srinivasa Rice Industries

June 28, 2018

Summary of rated instruments

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund based limits	11.75	10.75	[ICRA]BB- (Stable); Reaffirmed
Unallocated Limits	2.73	3.73	[ICRA]BB- (Stable)/[ICRA]A4; Reaffirmed
Total	14.48	14.48	

Rating action

ICRA has reaffirmed the long-term rating at [ICRA]BB- (pronounced ICRA double B minus)¹ and short-term rating at [ICRA]A4 (pronounced as ICRA A four) for the Rs. 14.48 crore² limits of Srinivasa Rice Industries (SRI). The outlook on the long-term rating is 'Stable'.

Rationale

The ratings consider SRI's small scale of operations in the rice-milling industry, and its moderate financial profile characterised by moderate gearing and coverage indicators. The ratings are further constrained by intensely competitive nature of the rice-milling industry restricting operating margins, and agro-climatic risks, which can affect the availability of paddy in adverse weather conditions and thereby revenues. The ratings also consider risks arising from partnership nature of the firm.

The ratings, however, favourably factor in SRI's experienced management, its long track record of operations in the rice industry. Moreover, ICRA takes into account the favourable demand prospects of the industry as India is one of the largest producers and consumers of rice.

Outlook: Stable

ICRA believes SRI will continue to benefit from the extensive experience of its partners in the rice milling industry. The outlook may be revised to 'Positive' if substantial growth in revenue and profitability, and better working capital management, strengthens its financial risk profile. The outlook may be revised to 'Negative' if cash accrual is lower than expected, or if any major capital expenditure, or stretch in the working capital cycle, weakens liquidity.

Key rating drivers

Credit strengths

Significant experience of the promoter in the rice-milling and trading business - The promoters have significant experience of over fifteen years in rice milling industry resulting in established relationship with customers.

¹ For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications

² 100 lakh = 1 crore = 10 million

Favourable demand prospects for rice - Demand prospects of the rice industry are expected to remain good as rice is a staple food grain and India is the world's second largest producer and consumer of rice.

Credit weaknesses

Small scale of operations – The scale of operations of the firm has been small with installed capacity of 46080 metric tons of paddy per annum and revenues of Rs. 77.2 crore in FY2018, limiting its financial flexibility.

Moderate financial profile – SRI has moderate financial profile with a gearing of 1.2 times as on March 31, 2018 and moderate coverage indicators with interest coverage ratio of 2.2 times and NCA/Total debt ratio of 18% for FY2018.

Highly competitive nature of industry – Rice milling industry is highly competitive with presence of a large number of organised and unorganised players impacting the margins.

Industry susceptible to agro-climatic risks -The rice-milling industry is susceptible to agro-climatic risks, which can affect the availability of the paddy in adverse weather conditions.

Risk related to partnership nature of the firm - The firm is exposed to the risks inherent to the partnership nature of firm including capital withdrawal risk.

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

Links to applicable criteria:

[Corporate Credit Rating Methodology](#)

[Rating Methodology for Issuers in the Indian Rice Industry](#)

About the company:

Srinivasa Rice Industries was established in February 2013, and the current management has taken over the mill in August 2014, and, under the new management, the company has started its operations on November 24, 2014. The firm is engaged in milling of paddy to produce raw and boiled rice. It is located in Gurazala, Guntur District of Andhra Pradesh. The current milling capacity is 8 tonnes of paddy per hour. The day to day operations of the firm are looked after by Gudipati Srinivas and Gudipati Lingaiah.

According to provisional financials, SRI has reported an operating income of Rs. 77.2 crore and net profit of 0.4 crore in FY2018 as against an operating income of Rs. 69.7 crore and net profit of Rs. 0.4 crore in FY2017.

Key Financial Indicators (Audited)

	FY 2016	FY 2017
Operating Income (Rs. crore)	44.8	69.7
PAT (Rs. crore)	0.2	0.4
OPBDIT/ OI (%)	6.9%	4.6%
RoCE (%)	12.3%	12.9%
Total Debt/ TNW (times)	1.7	1.4
Total Debt/ OPBDIT (times)	3.1	2.9
Interest coverage (times)	1.9	1.9
NWC/ OI (%)	13%	12%

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

Instrument	Type	Current Rating (FY2019)			Chronology of Rating History for the past 3 years				
		Amount Rated (Rs. crore)	Amount Outstanding (Rs Crore)	Date & Rating June 2018	Date & Rating in FY2018		Date & Rating in FY2017		Date & Rating in FY2016
					July 2017	August 2016	July 2016	July 2015	
1 Fund based limits -Cash Credit	Long Term	7.25	-	[ICRA]BB-(Stable)	[ICRA]BB-(Stable)	[ICRA]B+	[ICRA]B+	[ICRA]B	
2 Fund based limits - Term Loan	Long Term	3.50	3.50	[ICRA]BB-(Stable)	[ICRA]BB-(Stable)	[ICRA]B+	[ICRA]B+	[ICRA]B	
3 Unallocated limits	Long Term /Short Term	3.73	-	[ICRA]BB-(Stable)/A4	[ICRA]BB-(Stable)/A4	[ICRA]B+/A4	[ICRA]B+/A4	[ICRA]B/A4	

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Cash Credit	-	-	-	7.25	[ICRA]BB-(Stable)
	Term Loan	FY2015	-	FY2022	3.50	[ICRA]BB-(Stable)
NA	Unallocated Limits	-	-	-	3.73	[ICRA]BB-(Stable) /A4

Source: SRI

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