

## Sri Venkateswara Rice Industry

June 07, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	30.00	CARE BB; Stable	Assigned

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The rating assigned to the bank facilities of Sri Venkateswara Rice Industry (SVRI) is constrained due to the moderate capital structure and weak debt coverage indicators, business operations being dependent on vagaries of nature, high-level of government regulation along with fragmented nature of business and constitution of the entity as a partnership firm. The ratings, however, derive strength from an improved scale of operations during FY2024 [FY refers to the period April 01 to March 31], experienced and well-established partners and presence in the rice belt of Andhra Pradesh.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Increase in TOI to more than Rs.300 crore along with PBILDT margin at 4% on a sustained basis.
- Improvement in the capital structure with overall gearing falling below 1.00x

#### Negative factors

- Reduction of PBILDT margin below 2.00% on a sustained basis.
- Any elongation in the collection period and inventory holding leads to a working capital cycle of more than 130 days.

### Analytical approach: Standalone

#### Outlook: Stable

CARE Ratings believes that the entity will continue to benefit from the extensive experience of the partners in the industry.

### Detailed description of the key rating drivers:

#### Key weaknesses

**Moderate capital structure and debt coverage indicators:** The capital structure of SVRI is marked by its overall gearing ratio which continued to remain moderate at 1.17x [PY: 1.00x] as on March 31, 2024. The debt profile of the entity comprises GECL Loans, Unsecured Loans and Cash Credit facilities. The repayments of the company are expected to be closed for the term loans in FY2025. That should improve the gearing of the entity; however, the entity is projecting enhancement in the cash credit limits from existing Rs.23.00 crore to Rs.29.00 crore. The tangible net worth of the company continued to remain modest at Rs.27.57 crore [PY: 20.37 crore] as on March 31, 2024. The debt coverage indicators of SVRI continued to remain weak and in line with the previous year as marked by an interest coverage ratio of 1.53x (PY: 1.41x) and TDGCA of 15.56x (PY: 11.96x) in the year ended on March 31, 2024. The TOL/TNW ratio of the entity stood at 1.22x as on March 31, 2024, in comparison to 1.05x as on March 31, 2023.

**Presence in a highly fragmented and competitive industry along with vulnerability to unfavourable regulatory changes:** The commodity nature of paddy makes the industry highly fragmented with numerous players operating in the unorganized sector. The raw material (paddy) prices are regulated by the government to safeguard the interest of farmers, which in turn limits the bargaining power of the rice millers. Moreover, the Government of India (GOI) every year decides a minimum support price (MSP - to be paid to paddy growers) for paddy. However, the price of the finished product is determined by market forces of demand and supply. Given the market-determined prices for finished product vis-à-vis fixed costs for raw materials, the profitability margins of rice millers/processors are highly vulnerable, especially in times of high paddy cultivation.

**Monsoon-dependent operations:** The entity's operations are dependent on agro-climatic conditions and may get adversely impacted in case of weak monsoons or poor crop quality. As per the Indian Meteorological Department, 2024 is expected to be above normal monsoon and that's a positive for all the agro-based entities, though delay in arrival of monsoon may impact yield.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

**Constitution of the entity as a partnership firm:** Sri Venkateswara Rice Industry is a partnership firm with the inherent risk of the possibility of withdrawal of the partners' capital and the firm being dissolved upon the retirement/ insolvency/ demise of the partner. Also, there exists limited financial flexibility with the nature of the Constitution. However, it is observed that the partners are not withdrawing capital and are adding the profits back into the capital of the entity.

### Key strengths

**Improved scale of operations during FY24:** SVRI's scale of operations marked by its total operating income (TOI) improved by 26.20% on a y-o-y basis and continued to remain moderate at Rs.127.65 crore in FY24 (Provisional) [PY: Rs.101.15 crore] owing to increase in the sale of all types of products. In the early years as well, the turnover of the company has been on an upwards trend from FY20 to FY24, only in FY21 which the TOI was lower than the previous year because of Covid-19 pandemic. After this year, the entity has seen a consistent uptrend with FY22 TOI at Rs. 72.32 crore (+17.36%), Rs. 101.15 crore (+39.86%) in FY23 and Rs.127.65 crore in FY24 (+26.20).

**A well-established firm with experienced partners:** The partners have more than two decades of experience in the rice milling industry. The firm benefits from the partners' understanding of the dynamics of the industry and established relationships with customers. Mr. Vantipalli Kasi Viswanadham is the Managing Partner of the entity who holds experience in the rice milling industry for more than 2 decades. Along with the managing partner, the family members are well-equipped with business practices of the rice milling industry.

**Presence in the major rice belt of Andhra Pradesh:** The rice milling unit of SVRI is located in the East Godavari district which is a favourable location for producing rice in Andhra Pradesh. The manufacturing unit is located near the rice-producing region, which ensures easy raw material access and smooth supply of raw materials at competitive prices and lower logistic expenditure.

### Liquidity: Adequate

SVRI's liquidity position remained adequate marked by gross cash accruals of Rs.2.07 crore as against the debt repayment obligations of Rs. 1.38 crore in FY25. The entity's fund-based working capital limit utilisation is at 63.19% for the last twelve months ending April 2024. Further, the company is expected to generate cash accruals of Rs.2.29 in FY25 which is sufficient for the debt repayment obligations of ~Rs. 1.38 crore in FY25.

**Assumptions/Covenants:** Not Applicable

**Environment, social, and governance (ESG) risks:** Not Applicable

### Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Nonfinancial Sector](#)

### About the company and industry

#### Industry classification

Macro-Economic Indicator	Sector	Industry	Basic Industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Agricultural Food & other Products	Other Agricultural Products

Sri Venkateswara Rice Industry is a partnership firm established in December 2001 and the unit started production in December 2002. The firm's office and manufacturing unit is located at Mandapeta, East Godavari, Andhra Pradesh. The unit is selling its product within and outside Andhra Pradesh and its brand name "EAGLE ". The partners are well experienced in rice milling business and prior to the construction of rice mill, the partners had done rice-milling business by taking rice mill on lease. The total capacity of the manufacturing unit is 0.60 lakh MTPA. The firm is mainly engaged in the milling of paddy to process boiled rice and raw rice with by-products like husk rice bran, broken rice, and others. The firm is also engaged in the trading of paddy depending on the market dynamics.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	March 31, 2024 (UA)
Total operating income	72.32	101.15	127.65
PBILDT	4.31	3.94	5.96
PAT	0.73	0.96	1.38
Overall gearing (times)	1.06	1.00	1.17
Interest coverage (times)	1.30	1.41	1.53

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating history for last three years:** Please refer Annexure-2

**Covenants of rated instrument / facility:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated:** Annexure-4

**Lender details:** Annexure-5

#### Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	30.00	CARE BB; Stable

#### Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash Credit	LT	30.00	CARE BB; Stable	-	-	-	-

LT: Long term

**Annexure-3: Detailed explanation of covenants of the rated instruments/facilities:** Not Applicable

#### Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple

#### Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

**Note on the complexity levels of the rated instruments:** CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for any clarifications.

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### About us:

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