

Surya Sri Rice Mill

February 10, 2025

Facilities/ Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	125.00 (Enhanced from 98.50)	CARE BB+; Stable	Rating removed from ISSUER NOT COOPERATING category and Upgraded from CARE BB; Stable
Long Term Bank Facilities	-	-	Withdrawn

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to the bank facilities of Surya Sri Rice Mill (SRM) is constrained due to the moderate capital structure and weak debt coverage indicators, thin profitability margins, 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, presence in the rice belt of Andhra Pradesh, diversified clientele base and stable demand outlook.

CARE has withdrawn the ratings assigned to term loan as Surya Sri Rice Mill has repaid the loan and there is no amount outstanding under the said facility as on date.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in TOI by more than Rs.450 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 90 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 key rating drivers:

Key weaknesses

Leveraged capital structure and weak debt coverage indicators

The capital structure of SRM is marked by its overall gearing ratio which continued to remain moderate at 1.33x [PY: 1.50x] as on March 31, 2024. The debt profile of the entity comprises term loans, car loans and cash credit facility. The tangible net worth of the company improved and continued to remain modest at Rs.39.73 crore (PY: 31.76 crore) as on March 31, 2024. The debt coverage indicators of SRM continued to remain weak and in line with the previous year as marked by an interest coverage ratio of 1.65x (PY: 1.72x) and TDGCA of 12.08x (PY: 11.45x) in the year ended on March 31, 2024. The TOL/TNW ratio of the entity stood at 1.38x as on March 31, 2024, in comparison to 2.13x as on March 31, 2023.

Thin profitability margins

SRM's profitability margin has remained thin mainly due to limited value addition and the fragmented nature of the rice milling industry. In FY24, the PBILDT margin of SRM remained thin and relatively stable at 2.55% (PY: 2.53%). Subsequently, the PAT margin of the company also remained thin and relatively stable at 0.49% (PY: 0.49%). The margins in the Rice milling industry are expected to remain thin as the prices are driven by government regulations.

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. The MSP of paddy was increased by 5.35% during the crop year 2024-25 to Rs.2300/quintal from Rs.2183/quintal in crop year 2023-24. However, the price of the finished product is determined by market

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

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.

Volatile agro-commodity (paddy) prices with linkages to vagaries of the monsoon

The entity's operations are dependent on agro-climatic conditions and may get adversely impacted in case of weak monsoons or poor crop quality. Paddy is mainly a 'kharif' crop and is cultivated from June-July to September-October and the peak arrival of crop at major trading centers begins in October. The cultivation of paddy is highly dependent on the monsoon. Unpredictable weather conditions could affect the output of paddy and result in volatility in price of paddy. In view of seasonal availability of paddy, working capital requirements remain high at season time owing to the requirement for stocking of paddy in large quantity.

Constitution of the entity as a partnership firm: Suryasri Rice Mill 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 of the partner/demise. 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. Only during 2023 financial year, there were withdrawals.

Particulars as on March 31,	2020	2021	2022	2023	2024
Infusion/(withdrawal) of capital	0.97	0.27	0.70	(2.14)	5.98

Key Strengths

Improved scale of operations during FY2024: SRM's scale of operations marked by its total operating income (TOI) improved by 13.61% on a y-o-y basis and continued to remain moderate at Rs.408.99 crore in FY24 [PY: Rs. 359.99 crore] owing to increase in the sale of all types of products. In the previous years too, the turnover of the company has been on an upwards trend. The TOI during FY2021 was Rs.225.91 crore which was an affected year due to the COVID pandemic. After this year, the entity has seen a consistent uptrend with TOI at Rs.277.56 crore (+22.86%) in FY2022, Rs.360.47 crore (+29.82%) in FY2023 and Rs 408.99 crore (+13.61%) in FY24.

A well-established firm with experienced partners: The partners have more than two decades of experience in the rice milling industry and run an associate firm 'Padmasri Rice Mills' in a similar business. The firm benefits from the partners' understanding of the dynamics of the industry and established relationships with customers. Mr. P Vishwanatha Reddy is the Managing Partner of the entity who holds experience in the rice milling industry for more than 3 decades. Along with the managing partner, the family of Pothamsetti 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 SRM is 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.

Diversified clientele and supplier base:

The entity usually procures raw materials from farmers or domestic dealers. The supplier base is huge with 100s of dealers and many more farmers in the states of Telangana, Andhra Pradesh, Karnataka, Odisha, and West Bengal. The entity's first preference is to purchase it directly from the farmers, but, due to the demand and other regulatory issues and the nature vagaries, the entity must depend on the dealers who carry the expertise to source the material from other states and help the entity to meet requirements.

The entity has established a customer base from various states like Kerala, Andhra Pradesh, Telangana, and others. The par-boiled rice is the variety of rice being sold by the entity. This type of rice is majorly consumed in states like Kerala, Bengal, Telangana, and Andhra Pradesh. The customer profile of the entity mostly composes of traders who in turn sell the products to the retailers who then work on the branding and sell them to the end users.

Liquidity: Adequate

SRM's liquidity position remained adequate marked by gross cash accruals of Rs.4.37 crore as against the negligible term debt repayment obligations in FY25. The entity's fund-based working capital limit utilisation is high at 85.71% for the last twelve months ending December 2024. Also, the cash flow from operations for the last two years remained positive at Rs.10.29 crore in FY23 and Rs.0.87 crore in FY24. Current ratio remained at 1.51 times as on March 31, 2024, as against 1.28 times as on March 31, 2023. Cash and bank balance remained low at Rs.5.04 crore as on March 31, 2024.

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 – Non financial Sector](#)
[Withdrawal Policy](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Agricultural Food & other Products	Other Agricultural Products

Suryasri Rice Mill is a family-owned business established in 2005 by Shri. Pothamsetti Viswanadha Reddy and Shri. Pothamsetti Appa Reddy. The firm's office and manufacturing unit is located at Duppalapudi, Anaparthi, East Godavari, Andhra Pradesh. The total capacity of the manufacturing unit is 1,50,000 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 (A)
Total operating income	277.56	359.99	408.99
PBILDT	6.91	9.12	10.44
PAT	1.11	1.75	1.98
Overall gearing (times)	1.40	1.50	1.33
Interest coverage (times)	1.76	1.72	1.65

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Brickwork continues to categorise the ratings assigned to the bank facilities of Surya Sri Rice Mill under the 'non-cooperation category' vide its PR dated August 21, 2024, due to its inability to carry out a rating exercise in the absence of the requisite information from the company.

ICRA continues to categorise the ratings assigned to the bank facilities of Surya Sri Rice Mill under the 'non-cooperation category' vide its PR dated April 24, 2024, due to its inability to carry out a rating exercise in the absence of the requisite information from the company.

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of 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 and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	125.00	CARE BB+; Stable
Fund-based - LT-Term Loan		-	-	October 2024	0.00	Withdrawn

Annexure-2: Rating history for 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	125.00	CARE BB+; Stable	1)CARE BB; Stable; ISSUER NOT COOPERATING* (30-Sep-24)	1)CARE BB+; Stable (21-Aug-23)	-	-
2	Fund-based - LT-Term Loan	LT	-	-	1)CARE BB; Stable; ISSUER NOT COOPERATING* (30-Sep-24)	1)CARE BB+; Stable (21-Aug-23)	-	-

*Issuer did not cooperate; based on best available information.

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not Applicable**Annexure-4: Complexity level of instruments rated**

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

Annexure-5: Lender details

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

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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