

Sri Laxmi Vinayaka Rice Industries

March 11, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	30.00 (Reduced from 30.27)	CARE B+; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to the bank facilities of Sri Laxmi Vinayaka Rice Industries (SLVRI) continues to factor in its modest scale of operations and thin profitability margin that is susceptible to raw material price fluctuations. Rating also continues to be tempered by agro-climatic risks, highly fragmented and competitive nature of industry and constitution of the entity as a partnership firm. Reduction in sales in FY24 has impacted liquidity of the firm, however, CARE Ratings Limited (CARE Ratings) positively takes note of infusion of funds by partners to support it. These rating weaknesses are partially offset by the expected recovery in scale of operations in FY25, experience of partners for more than a decade in rice milling industry and location advantage.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in scale of operations marked by total operating income to Rs. 140 crore on a sustained basis while maintaining PBILDT margin above 2.50%.

Negative factors

- Deterioration of capital structure marked by overall gearing ratio beyond 6.50x or ICR below 1.20x on sustained basis
- Withdrawal of capital by partners or repayment of unsecured loans and decrease in TOI below Rs. 75 Cr.

Analytical approach: Standalone

Outlook: Stable

CARE ratings believe that SLVRI's business profile will continue to remain steady supported by long experience of partners in the business which will help them in addition of new clients.

Detailed description of key rating drivers:

Key weaknesses

Weak financial risk profile

The total operating income (TOI) deteriorated sharply to Rs. 79.41 crore in FY24 (PY: Rs. 145.46 crore) though PBIDT remained similar at absolute terms at Rs. 3.46 crore. The margins remain thin and are also prone to volatility due to price fluctuations in procurement costs of raw materials. The overall gearing improved on account of fund infusion and stood at 2.09x as of Mar 31, 2024 (PYE: 5.67x).

Working capital intensive operations

Working capital limits sanctioned remain fully utilized indicating stretched liquidity position. Further, the operating cycle of the company has significantly elongated to 176 days as of Mar 31, 2024 (PYE: 60 days), led by an increase in average inventory days. As most sales are made in the last quarter, the firm increases its inventory level to cater the demand. There was an increase in unsold inventory due to significant drop in sales in FY24. As paddy in India is harvested mainly at the end of two major agricultural seasons Kharif (June to September) and Rabi (November to April) the millers must stock enough paddy by the end of each season. SLVRI's average collection period allowed to customers is 15-30 days and pays its vendors in 21 days.

Seasonal nature of availability of paddy and margins susceptible to raw material price fluctuations

The major procurement of Paddy happens during the months of October to January and April to July. The firm's raw material being paddy, for proper harvest and availability of paddy, the weather conditions should be adequate. Adverse weather conditions directly affect the supply and availability of the paddy and raw material price fluctuations. The central Government of India (GOI), every year decides a minimum support price of paddy which limits the bargaining power of rice millers over the farmers. The sale of rice in the open market is also regulated by the government through levy quota and fixed prices. Due to the above said regulations along with the intense competition, the bargaining power of the rice millers against the suppliers of paddy and the customers is limited.

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

Highly fragmented and competitive nature of industry

The Indian rice mill industry is highly unorganized and fragmented in nature. Based on product type, the rice and paddy market can be segmented into variety of products and features a fragmented and competitive landscape owing to the presence of many small-scale companies. The market also features some large companies holding prominent positions, making the market intensely competitive.

Constitution of the entity as a partnership firm

SLVRI's constitution as a partnership concern with low net worth base restricts its overall financial flexibility in terms of limited access to external funds for any future expansion plans. At the same time, there is inherent risk of withdrawal of capital and dissolution of the firm in case of death/insolvency of partner.

Key strengths

Expected recovery in scale of operations in FY25

Due to poor monsoons and low harvest, SLVRI was unable to supply the grains at competitive pricing to its largest buyer, resulting in a sharp decrease in revenue in FY24. Since then, the firm has been able to onboard new clients and increase sales to existing clients. SLVRI recorded sales of Rs. 85 crore in 10MFY25, surpassing last year's revenue. Healthy sales are expected in the last two months of the current financial year.

Experience of partners for more than a decade in rice milling industry

SLVRI was established in 2007, promoted by Mr. K. Satyanarayana and Mrs. K. Surya Kumari. Mr. K. Satyanarayana, the managing partner of the firm has experience of more than a decade in rice milling and processing industry. Through their vast experience in the rice milling business, the firm is able to establish healthy relationship with key suppliers, customers, local traders and dealers facilitating the rice business within the state. The firm has been reconstituted in 2024 after the demise of Mr. Satyanarayana, with Mr. Varun Komarina (S/O late Mr. Satyanarayana) taking his place.

Location advantage

The firm's processing facility is situated at Koppal, Karnataka which is one of the largest producers of paddy in India. Its presence in the region gives additional advantage over the competitors in terms of easy availability of the paddy as well as favourable pricing terms. SLVRI owing to its location is also able to cut on the freight component to certain extent of incoming raw materials.

Liquidity: Stretched

Liquidity is stretched, marked by fully utilised bank limits during last 12 months ending Dec 24. Operating cycle has elongated to 176 days as of Mar 31, 2024 (PYE: 60 days). To support its operations, the firm has availed unsecured loans from partners of Rs. 11 crore in FY24.

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

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

Karnataka based, SLVRI was established in 2007 as a partnership firm by Mr. K. Satyanarayana and Mrs. K. Suryakumari. The firm has been reconstituted in 2024 after the demise of Mr. Satyanarayana, with Mr. Varun Komarina (S/O late Mr. Satyanarayana) taking his place. SLVRI is engaged in milling and processing of rice and is located in Koppal District. Apart from rice processing, the firm is also engaged in selling off byproducts such as broken rice, husk and bran. The main raw material, paddy, is directly procured from agents and local farmers located in and around Koppal District.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	December 31, 2024 (UA)
Total operating income	145.46	79.41	66.71
PBILDT	3.45	3.46	NA
PAT	1.08	0.40	NA

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	December 31, 2024 (UA)
Overall gearing (times)	5.67	2.09	NA
Interest coverage (times)	1.50	1.22	NA

A: Audited UA: Unaudited NA: Not available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	25.00	CARE B+; Stable
Fund-based - LT-Cash Credit	-	-	-	-	4.10	CARE B+; Stable
Fund-based - LT-Working Capital Demand loan	-	-	-	-	0.01	CARE B+; Stable
Fund-based - LT-Working capital Term Loan	-	-	-	31-12-2027	0.89	CARE B+; Stable

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	25.00	CARE B+; Stable	-	1)CARE B+; Stable (01-Mar-24)	1)CARE B+; Stable (15-Mar-23)	1)CARE B+; Stable (28-Dec-21)
2	Fund-based - LT-Cash Credit	LT	4.10	CARE B+; Stable	-	1)CARE B+; Stable (01-Mar-24)	1)CARE B+; Stable (15-Mar-23)	1)CARE B+; Stable (28-Dec-21)
3	Fund-based - LT-Working capital Term Loan	LT	0.89	CARE B+; Stable	-	1)CARE B+; Stable (01-Mar-24)	1)CARE B+; Stable (15-Mar-23)	1)CARE B+; Stable (28-Dec-21)
4	Fund-based - LT-Working Capital Demand loan	LT	0.01	CARE B+; Stable	-	1)CARE B+; Stable (01-Mar-24)	1)CARE B+; Stable (15-Mar-23)	1)CARE B+; Stable (28-Dec-21)

LT: Long 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-Cash Credit	Simple
3	Fund-based - LT-Working Capital Demand loan	Simple
4	Fund-based - LT-Working capital Term Loan	Simple

Annexure-5: Lender detailsTo 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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