

Surya Sri Rice Mill

April 01, 2026

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	125.00	CARE BB+; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of the rating assigned to bank facilities of Surya Sri Rice Mill (SRM) factors in the company's moderately leveraged capital structure, weak debt coverage indicators, and thin profitability margins. The rating also considers the inherent risks associated with the business, including its dependence on climatic conditions, high degree of government regulation, the fragmented nature of the rice milling industry, and the entity's partnership constitution.

However, the rating is supported by consistent improvement in the scale of operations since FY22 (FY refers to April 1 to March 31), the experience and established track record of the partners, the entity's strategic presence in the rice-growing belt of Andhra Pradesh, a diversified customer base, and a stable demand outlook for rice and related products.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in total operating income (TOI) by over ₹450 crore and profit before interest, lease rentals, depreciation and taxation (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 over 90 days.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited (CareEdge Ratings) believes that the entity will continue to benefit from the extensive industry experience of the partners.

Detailed description of key rating drivers:

Key weaknesses

Leveraged capital structure and weak debt coverage indicators

SRM's capital structure remained leveraged as on March 31, 2025, with overall gearing at 2.13x compared to 1.33x in the previous year. The company's debt profile comprises a mix of term loans, car loans, pledge loans, and working capital facilities.

The tangible net worth of the company showed a marginal improvement and stood at ₹40.59 crore as on March 31, 2025, against ₹39.73 crore in the previous year, though it continues to remain at a modest level.

Debt coverage indicators remained subdued in FY25. Total debt to gross cash accruals stood at 21.82x compared to 12.08x in the previous year, reflecting higher debt levels. The interest coverage ratio remained low at 1.56x in FY25, marginally lower than 1.65x recorded in FY24. The total outside liabilities to tangible net worth ratio increased to 2.34x as on March 31, 2025, from 1.38x in the previous year.

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 FY25, the PBILDT margin of SRM remained thin and slightly improved from to 3.11% (PY: 2.55%). However, profit

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

after taxation (PAT) margins have reduced from 0.49% in FY24 to 0.38% in FY25 owing to increase in interest expenses for increase in overall debt levels. 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 and vulnerability to unfavourable regulatory changes

The commodity nature of paddy makes the industry highly fragmented with numerous players operating in the unorganised 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 3% in the crop year 2025-26 to ₹2,369/quintal from ₹2,300/quintal in crop year 2024-25. However, the finished product price is determined by market forces of demand and supply. Given the market-determined prices for finished product against fixed costs for raw materials, 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 monsoon

The entity's operations depend 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 centres begins in October. Paddy cultivation highly depends 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. Withdrawals occurred only in Financial year 2023.

Particulars as on March 31,	2020	2021	2022	2023	2024	2025	9MFY26
Infusion/(withdrawal) of capital	0.97	0.27	0.70	(2.14)	5.98	0.00	8.08

Key strengths

Consistent scale of operations and improved PBILDT profitability

SRM has demonstrated a steady scale of operations, with TOI increasing from ₹356 crore in FY23 to ₹409 crore in FY24 and remaining stable in FY25 at ₹411.13 crore.

The TOI stood at ₹225.91 crore in FY21, which was impacted by the COVID-19 pandemic. Thereafter, the company reported a consistent upward trajectory, with TOI rising to ₹277.56 crore in FY22 (up 22.86%), ₹360.47 crore in FY23 (up 29.82%), and ₹408.99 crore in FY24 (up 13.61%), before stabilising at ₹411.13 crore in FY25.

A well-established firm with experienced partners

The partners have over 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 industry dynamics and established relationships with customers. P Vishwanatha Reddy is the Managing Partner of the entity who holds experience in the rice milling industry for over three decades. Along with the managing partner, the Pothamsetti family are well-equipped with business practices of the rice milling industry.

Presence in 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 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 states, such as Kerala, Andhra Pradesh, Telangana, and others. The parboiled rice is the variety of rice being sold by the entity. This type of rice is majorly consumed in states, including 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 ₹3.96 crore against negligible term debt repayment obligations in FY26. The entity's average fund-based working capital limit utilisation remained high at 85% in the nine months ended December 2025.

However, cash flow from operations, which remained positive at ₹10.29 crore in FY23 and ₹0.87 crore in FY24, turned negative at ₹23.76 crore in FY25, primarily due to an increase in receivables. The current ratio declined to 1.31x as on March 31, 2025, from 1.51x as on March 31, 2024. Cash and bank balances also remained low at ₹2.66 crore as on March 31, 2025, compared to ₹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](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Fast moving consumer goods	Fast moving consumer goods	Agricultural food and other products	Other agricultural products

SRM is a family-owned business established in 2005 by Pothamsetti Viswanadha Reddy and Pothamsetti Appa Reddy. The firm's office and manufacturing unit is at Duppalapudi, Anaparthi, East Godavari, Andhra Pradesh. The total capacity of the manufacturing unit is 150,000 MTPA. The firm is mainly engaged in milling paddy to process boiled rice and raw rice with by-products, such as husk rice bran, broken rice, and others. The firm is also engaged in trading paddy depending on the market dynamics.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)	9MFY26 (UA)
Total operating income	408.99	411.13	285.62
PBILDT*	10.44	12.80	11.05
Profit after tax (PAT)	1.98	1.55	1.31
Overall gearing (x)	1.33	2.13	2.71
Interest coverage (x)	1.65	1.56	1.55

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

*PBILDT: Profit before interest, lease rentals, depreciation, and tax

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 (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

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 2025-2026	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
1	Fund-based - LT-Cash Credit	LT	125.00	CARE BB+; Stable	-	1)CARE BB+; Stable (10-Feb-25) 2)CARE BB; Stable; ISSUER NOT COOPERATING* (30-Sep-24)	1)CARE BB+; Stable (21-Aug-23)	-
2	Fund-based - LT-Term Loan	LT	-	-	-	1)Withdrawn (10-Feb-25) 2)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

Annexure-5: Lender details

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

Annexure-6: List of entities consolidated: Not applicable

Note on complexity levels of rated instruments: CareEdge 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.

Contact us

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