

APRIL 16, 2015

## CARE ASSINGS 'CARE B+' & 'CARE A4' RATINGS TO BANK FACILITIES OF PADMA LAXMI SREE RICE MILL PVT LTD

**Rating**

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Remarks
Proposed Long-term Bank Facilities	14	<b>CARE B+ (Single B Plus)</b>	Assigned
Proposed Short-term Bank Facilities	0.5	<b>CARE A4 (A Four)</b>	Assigned
Total Facilities	<b>14.5</b>		

**Rating Rationale**

The ratings assigned to the bank facilities of Padma Laxmi Sree Rice Mill Pvt. Ltd. (PLSM) are primarily constrained by its project implementation risk involved with the setting up rice milling unit including yet to be achieved financial closure for the debt, its presence in highly fragmented & competitive industry, susceptibility of profitability to fluctuation in raw material & government regulation, seasonal nature of availability of paddy resulting in high working capital intensity and exposure to the vagaries of nature.

The aforesaid constraints are partially offset by the long-standing experience of the promoters in the agro industry and its proximity to raw material growing areas enabling easy availability & logistic advantages.

Going forward, PLSM's ability to complete the project within the envisaged time & cost parameters and derive benefits from it would be the key rating consideration.

**Background**

PLSM was incorporated in June 2010, by the Ghosh family of Birbhum District, West Bengal. The company is currently setting up a rice milling unit at Vaishali district of Bihar with a proposed processing capacity of 48,000 metric tonne per annum (MTPA), which is in the vicinity to a major rice growing area. The project is estimated to be set up at a cost of Rs.20.29 crore to be financed at a debt equity ratio of 0.53:1. Financial closure for debt has not yet been achieved. The company has already acquired a land and has incurred a cost of Rs.9.60 crore till March 15, 2015, which was met through promoter's contribution. The project is expected to be operational by July 2015.

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**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**

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<sup>1</sup> Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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