

Padma Laxmi Sree Rice Mill Private Limited

March 27, 2019

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities	12.35	CARE B; Stable; ISSUER NOT COOPERATING* (Single B; Outlook: Stable; ISSUER NOT COOPERATING)	Issuer not cooperating; Revised from CARE B+;Stable on the basis of best available information
Short term Bank Facilities	0.30	CARE A4; ISSUER NOT COOPERATING (A Four; ISSUER NOT COOPERATING)	Issuer not cooperating; Based on best available information
Total	12.65 (Rupees Twelve Crore and Sixty Five Lakh Only)		

Details of instruments/facilities in Annexure-1
Detailed Rationale & Key Rating Drivers

CARE has been seeking information from **Padma Laxmi Sree Rice Mill Private Limited (PLSRM)** to monitor the rating vide e-mail communications/letters dated March 06, 2019, March 08, 2019, March 11, 2019 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the rating. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the publicly available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The rating on PLSRM's bank facilities will now be denoted as **CARE B/ A4; ISSUER NOT COOPERATING**. Further, banker could not be contacted.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating.

The rating takes into account its high government regulations, seasonal nature of availability of paddy resulting in high working capital intensity and exposure to vagaries of nature and fragmented and competitive nature of industry. The ratings, however, derive strength from its experienced promoters and proximity to raw material sources.

Detailed description of the key rating drivers
Key Rating Weaknesses

High government regulations: The Government of India (GOI), every year decides a minimum support price (MSP - to be paid to paddy growers) for 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 GoI through the levy of quota, depending on the target laid by the central government for the central pool. Given the market determined prices for finished product vis-à-vis fixed acquisition cost for raw material, the profitability margins are highly vulnerable.

Seasonal nature of availability of paddy resulting in high working capital intensity and exposure to vagaries of nature: Rice milling is a working capital intensive business as the rice millers have to stock rice by the end of each season till the next season as the price and quality of paddy is better during the harvesting season. Furthermore, the millers are required to extend a credit period of around 2-3 weeks to its customers. Also, paddy cultivation is highly dependent on monsoons, thus exposing the fate of the company's operation to vagaries of nature.

Fragmented and competitive nature of industry: PLSRM's plant is located in Vaishali district, Bihar which is one of the hubs for paddy/rice cultivating region. Owing to the advantage of close proximity to raw material sources, large number of small units is engaged in milling and processing of rice in the region. This has resulted in intense competition which is also fuelled by low entry barriers. Given that the processing activity does not involve much of technical expertise or high investment, the entry barriers are low.

Key Rating Strengths

Experienced promoters: The promoters of PLSRM have long experience in agro industry, chemical industry and engineering line of business. Mr Chittaranjan Ghosh (aged 63 years, M.Com) having an experience of more than four decades in the agro-commodity and chemical business, will look after the overall affairs of the company. He will be adequately supported by his son, Mr Sanjoy Ghosh (aged 34 years, Engineer & MBA), having experience of around a decade in agro commodity, chemical and engineering line of business, will look after the marketing activities. Prior to setting up of this company, both of them were engaged in same activity through its associate concern namely Laxmisree Ricemill Pvt. Ltd.

Proximity to raw material sources: PLSRM's plant is located in Vaishali District, Bihar which is in the midst of paddy growing region. The entire raw material requirement is met locally from the farmers (or local agents) which helps the company to save substantial amount of transportation cost and also procure raw materials at effective price.

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)
[Criteria on assigning Outlook to Credit Ratings](#)
[CARE's methodology for manufacturing companies](#)
[Financial ratios – Non-Financial Sector](#)
[CARE's Policy on Default Recognition](#)
[Criteria for Short Term Instruments](#)

About the Company

Padma Laxmi Sree Rice Mill Pvt. Ltd. (PLSRM) was incorporated in June, 2010 by Ghosh family of Birbhum District, West Bengal. The company has been engaged to setup a rice milling unit at Vaishali district of Bihar with a processing capacity of 48,000 metric tonne per annum (MTPA), which is in the vicinity to a major rice growing area. The project has been completed in December 2016 and the commercial operation has started from February 2017. However, provisionally, the company has been doing a trading business of rice during the last two financial years ending on FY16.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	0.44	33.95
PBILDT	0.01	2.03
PAT	0.01	-0.08
Overall gearing (times)	0.93	1.00
Interest coverage (times)	0.00	1.76

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook 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.

Annexure-1: Details of Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	October 2025	6.00	CARE B; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE B+; Stable; ISSUER NOT COOPERATING* on the basis of best available information
Fund-based - LT-Cash Credit	-	-	-	6.35	CARE B; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE B+; Stable; ISSUER NOT COOPERATING* on the basis of best available information
Non-fund-based - ST-Bank Guarantees	-	-	-	0.30	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information

Annexure 2: Rating History of last three years

Sr. No.	Name of the Instrument/ Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Term Loan	LT	6.00	CARE B; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE B+; Stable; ISSUER NOT COOPERATING* on the basis of best available information	-	1)CARE B+; Stable; ISSUER NOT COOPERATING* (31-Jan-18)	1)CARE B+; Stable (06-Mar-17)	1)Suspended (29-Feb-16) 2)CARE B+ (16-Apr-15)
2.	Fund-based - LT-Cash Credit	LT	6.35	CARE B; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE B+; Stable; ISSUER NOT COOPERATING* on the basis of best available information	-	1)CARE B+; Stable; ISSUER NOT COOPERATING* (31-Jan-18)	1)CARE B+; Stable (06-Mar-17)	1)Suspended (29-Feb-16) 2)CARE B+ (16-Apr-15)
3.	Non-fund-based - ST-Bank Guarantees	ST	0.30	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE A4; ISSUER NOT COOPERATING* (31-Jan-18)	1)CARE A4 (06-Mar-17)	1)Suspended (29-Feb-16) 2)CARE A4 (16-Apr-15)

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