

## Padma Laxmi Sree Rice Mill Pvt. Ltd

January 31, 2018

### Ratings

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long term Bank Facilities	12.35	<b>CARE B+; ISSUER NOT COOPERATING (Single B Plus; ISSUER NOT COOPERATING)</b>	<b>ISSUER NOT COOPERATING</b>
Short term Bank Facilities	0.30	<b>CARE A4; ISSUER NOT COOPERATING (A Four; ISSUER NOT COOPERATING)</b>	<b>ISSUER NOT COOPERATING</b>
<b>Total</b>	<b>12.65 (Rupees Twelve Crore and Sixty Five Lakh Only)</b>		

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Padma Laxmi Sree Rice Mill Pvt. Ltd (PLSRM) to monitor the ratings vide e-mail communications/ letters dated 18.08.2017, 22.11.2017, 03.01.2018, 15.01.2018 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the rating. **In the absence of minimum information required for the purpose of rating, CARE is unable to express opinion on the rating.** In line with the extant SEBI guidelines CARE's rating on Padma Laxmi Sree Rice Mill Pvt. Ltd's bank facilities will now be denoted as **CARE B+/A4; ISSUER NOT COOPERATING**. *Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).*

### Detailed description of the key rating drivers

*At the time of last rating in March 06, 2017 the following were the rating strengths and weaknesses:*

#### Key Rating Weaknesses

**Project stabilization risk:** The project has been completed during December 2016 and commercial operation started from Feb 2017. The bank facilities have been sanctioned during January 2017. However, as the operation has started in recent past, the project stabilization risks lies with the company. However, provisionally, the company has been doing a trading business of rice during the last two financial years ending on FY16.

**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

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

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 PLSM 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.

**Analytical approach:** Standalone

#### **Applicable Criteria**

[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. (PLSM) 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.

During FY16, the company reported a total operating income of Rs.0.93 crore (FY15: Rs.1.89 crore) and a PAT of Rs.0.01 crore (in FY15: Rs.0.02 crore). Furthermore, the company has achieved a total operating income of Rs.0.91 crore during 9MFY17 (refers to the period April 1 to December 31).

**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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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### **About CARE Ratings:**

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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**

<b>Name of the Instrument</b>	<b>Date of Issuance</b>	<b>Coupon Rate</b>	<b>Maturity Date</b>	<b>Size of the Issue (Rs. crore)</b>	<b>Rating assigned along with Rating Outlook</b>
Fund-based - LT-Term Loan	-	-	October 2025	6.00	CARE B+; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Cash Credit	-	-	-	6.35	CARE B+; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-Bank Guarantees	-	-	-	0.30	CARE A4; ISSUER NOT COOPERATING*

**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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Term Loan	LT	6.00	CARE B+; Stable; ISSUER NOT COOPERATING*	-	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*	-	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*	-	1)CARE A4 (06-Mar-17)	1)Suspended (29-Feb-16) 2)CARE A4 (16-Apr-15)	-

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