Press Release

Lakshmi Ganesh Agro Fertilizers Private Limited

June 09, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 15.00 Cr.
Long Term Rating	SMERA B / Outlook: Stable

** Refer Annexure for details*

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B**' **(read as SMERA B)** on the Rs. 15.00 crore bank facilities of Lakshmi Ganesh Agro Fertilizers Private Limited. The outlook is **'Stable'**.

Lakshmi Ganesh Agro Fertilizers Private Limited (LGAFPL) is engaged in the manufacture of NPK fertilisers at Hyderabad. The company commenced commercial production in September 2015 with installed capacity of 1, 20,000 MTPA.

Key Rating Drivers

Strengths

- **Experienced management**
  The company is led by Mr. P. Srinivas Reddy & B Srinivasul Reddy. The promoters have two decades of experience in the infrastructure and agriculture industries.

- **Average financial risk profile**
  The average financial risk profile is marked by moderate gearing and average debt protection measures. The debt equity stood at 1.27 times and interest coverage at 4.52 times in FY2016. Moreover, the NCA/TD stood at 0.14 times and DSCR at 5.11 times as on 31 March, 2016. The networth has been comfortable at Rs 7.96 crore as on 31 March, 2016. SMERA expects the financial profile of the company to improve over the medium term with stabilisation in operations.

Weaknesses

- **Moderate project risk**
  The company plans to expand fertiliser capacity to 6000 mtpa at a total project cost of Rs 5 crore out of which Rs 3.75 crore is to be funded by a term loan and the balance by internally generated net cash accruals. Operations are expected to commence from mid 2017. The timely completion of the project and funding of the project are the key rating sensitivities.

- **Regulatory risk and vulnerability to agro-climatic conditions**
  The fertiliser industry is highly regulated. Besides, the industry is highly dependent on the agro climatic conditions and vagaries of monsoon which are expected to have a major bearing on profit margins.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the company.

Outlook: Stable

SMERA believes that LGAFPL will maintain a stable outlook over the medium term owing to the vast experience of its promoters. The outlook may be revised to 'Positive' if the company achieves more than envisaged sales and profitability with stabilisation of its operations. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve growth in revenue and the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded working capital requirements.

About the Rated Entity - Key Financials

The company reported Profit after tax (PAT) of Rs 0.11 crore on operating income of Rs 8.50 crore in FY2015-16. Till mid March 2017 (Provisional), the company reported revenue of Rs 25 crore.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - https://www.smera.in/criteria-default.htm
- Manufacturing Entities - https://www.smera.in/criteria-manufacturing.htm
- Financial Ratios And Adjustments - https://www.smera.in/criteria-fin-ratios.htm

Note on complexity levels of the rated instrument
https://www.smera.in/criteria-complexity-levels.htm

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	15.00	SMERA B / Stable

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ABOUT SMERA

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