

Press Release

Lakshmi Ganesh Agro Fertilizers Private Limited

May 24, 2018

Rating Upgraded



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

* Refer Annexure for details

Rating Rationale

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

Lakshmi Ganesh Agro Fertilizers Private Limited (LGAF) based at Hyderabad was incorporated in 2011 and commenced commercial production in September, 2015. The company is engaged in manufacture of NPK fertilizers under the brand name 'VFL SIMHA'. The company has installed capacity of 1,20,000 MTPA and produces 400 MT of NPK mixtures per day.

The rating upgrade reflects the improvement in business risk profile marked by sustained improvement in revenues and profitability margins. The ratings also factors in improved financial risk profile marked by low gearing and comfortable interest coverage ratio.

Key Rating Drivers

Strengths

Experienced management:

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

Moderate financial risk profile:

The financial risk profile is marked by moderate networth stood at Rs.9.13 crore as on 31 March 2017 as compared to Rs.7.96 crore as on 31 March, 2016. The debt equity stood comfortable at 1.26 times in FY2017 as compared to 1.27 times in FY2016. The Interest Coverage Ratio stood at 2.92 times in FY2017 as compared to 4.52 times in FY2016. Moreover, the NCA/TD stood at 0.25 times and DSCR at 2.56 times as on 31 March, 2017.

Weaknesses

Working capital intensive operations:

The operations of LGAF are working capital intensive in nature marked by high Gross Current Assets of 259 days in FY2017 and 618 days in FY2016. High GCA days are on account of high inventory days of 71 and debtor days of 138 in FY2017. Further, average utilisation of working capital limits stood at ~90.00 percent in the last six months ended March, 2018.

Regulatory risk and vulnerability to agro-climatic conditions

The fertilizer 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.

Intense competition:

The company faces competition from other organised and unorganised players which limits the company's bargaining power with customers.

Analytical Approach:

SMERA has considered the standalone business and financial risk profiles of LGAF to arrive at this rating.

Outlook: Stable

SMERA believes that LGAF 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. 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

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	22.56	8.50	-
EBITDA	Rs. Cr.	4.05	1.56	-
PAT	Rs. Cr.	1.17	0.11	-
EBITDA Margin (%)	(%)	17.96	18.38	-
PAT Margin (%)	(%)	5.20	1.24	-
ROCE (%)	(%)	12.52	1.95	-
Total Debt/Tangible Net Worth	Times	1.26	1.27	-
PBDIT/Interest	Times	2.92	4.52	-
Total Debt/PBDIT	Times	2.82	6.42	-
Gross Current Assets (Days)	Days	259	618	-

Status of non-cooperation with previous CRA (if applicable): None

Any other information: Not Applicable

Applicable Criteria

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

Note on complexity levels of the rated instrument:

<https://www.smerra.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
09-Jun-2017	Cash Credit	Long Term	15.00	SMERA B / Stable (Assigned)

***Annexure - Details of instruments rated**

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

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