

Press Release

SHREE LINGRAJ FEEDS LIMITED

July 03, 2018



Rating Assigned

| | |
|-------------------------------------|-----------------------------|
| Total Bank Facilities Rated* | Rs. 11.00 Cr. |
| Long Term Rating | ACUITE BB / Outlook: Stable |

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB**' (read as **ACUITE BB**) on the Rs. 11.00 crore bank facilities of SHREE LINGRAJ FEEDS LIMITED. The outlook is '**Stable**'.

Shree Lingraj Feeds Limited is a Rourkela (Odisha) based company engaged in manufacturing of animal feed (poultry/ cattle) and promoted by Mr Balmukund Kadmwala, Mr Bajrang Lal Agarwal and Mrs Archana Kadmwala. The company, established in July, 1997 as a proprietary concern, was converted into a company in 2003. The company procures its raw material from farmers and contractor on advance basis. SLFL has a strong distributor and dealership network in Odisha, Jharkhand, and Chhattisgarh.

Key Rating Drivers

Strengths

- Establish track record and experienced management**

SLFL has an established track record of more than two decades in poultry business. The company further benefits from extensive experience of management. The promoters Mr Kadmwala and Mr Agarwal have more than 15 year of experience in production and trading of animal feed. The extensive industry experience of the promoters has enabled the company to establish a healthy relationship with its suppliers and customers.

- Association with Patanjali**

SLFL benefits from its association with Patanjali in terms of access to markets and brand recognition in Jharkhand, Odisha, Chhattisgarh and West Bengal. The company has able to leverage Patanjali's dealership network of more than 125 to increase its operating revenue to Rs 52.38 Crore in FY2018 (provisional) from 24.93 Crore in the previous year. SLFL sells more than 82 percent of its production under Patanjali brand name.

Weaknesses

- Moderate financial risk profile**

SLFL's financial risk profile is moderate as reflected by a relatively low net worth, high gearing and healthy debt protection metrics. The net worth stood at Rs 5.46 in FY2018 (Provisional) as against 4.23 Crore in FY2017. The gearing improved but remained high at 1.77 percent in FY2018 (provisional) as against 2.62 per cent in FY2017. The debt protection is healthy as reflected in interest coverage ratio of 3.66 percent and debt servicing coverage of 2.50 times in FY2018 (provisional) as against 1.51 times and 1.35 times respectively in the previous year.

- Moderate working capital intensive nature of operations**

The operations are moderately working capital intensive as evident from Gross Current Asset (GCA) days of 114 as on March 31, 2018 (Provisional) as against 197 days as on March 31, 2017. The working capital is mainly dominated by inventory of raw material maintained (43 days in FY2018 as against 116 days in FY2017) and credit period extended to customers (56 days in FY2018 as against 66 days in FY2017). Going forward, the company's ability to manage its working capital requirement would be a key rating sensitivity monitorable.

Analytical Approach

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

Outlook: Stable

SMERA believes that the company will maintain a Stable outlook over the medium term owing to its promoter's extensive experience in the cattle and poultry feed business and its association with Patanjali. The outlook may be revised to 'Positive' in case of improvement in its financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of weakening of the financial risk profile or elongated working capital cycle.

About the Rated Entity - Key Financials

| | Unit | FY17 (Actual) | FY16 (Actual) | FY15 (Actual) |
|-------------------------------|---------|---------------|---------------|---------------|
| Operating Income | Rs. Cr. | 24.93 | 20.97 | 18.11 |
| EBITDA | Rs. Cr. | 1.01 | 0.71 | 0.66 |
| PAT | Rs. Cr. | 0.17 | 0.09 | 0.09 |
| EBITDA Margin | (%) | 4.06 | 3.37 | 3.67 |
| PAT Margin | (%) | 0.67 | 0.45 | 0.52 |
| ROCE | (%) | 7.57 | 7.55 | 15.10 |
| Total Debt/Tangible Net Worth | Times | 2.62 | 1.39 | 1.27 |
| PBDIT/Interest | Times | 1.51 | 1.47 | 1.51 |
| Total Debt/PBDIT | Times | 10.80 | 7.32 | 6.35 |
| Gross Current Assets (Days) | Days | 197 | 127 | 130 |

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.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 | 8.50 | ACUITE BB / Stable |
| Cash Credit | Not Applicable | Not Applicable | Not Applicable | 1.25 | ACUITE BB / Stable |
| Term loans | Not Applicable | Not Applicable | Not Applicable | 0.48 | ACUITE BB / Stable |
| Proposed | Not Applicable | Not Applicable | Not Applicable | 0.77 | ACUITE BB / Stable |

Contacts

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About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL -II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

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