

Press Release

SHREE LINGRAJ FEEDS LIMITED

September 06, 2019

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 15.00 Cr. (Enhanced from Rs 11.00 Crore)
Long Term Rating	ACUITE BB+/ Outlook: Stable (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) on the Rs. 15.00 crore bank facilities of Shree Lingraj Feeds Limited (SLFL). The outlook is '**Stable**'.

The rating reflects steady growth in revenue marked by compounded annual growth rate of 49.19 per cent in the last four years ending FY2019 and improvement in financial risk profile supported by capital infusion and accretion of profit. These rating strengths are partially offset by modest profitability and risk related to volatility in raw material prices.

Shree Lingraj Feeds Limited is a Rourkela (Odisha) based company engaged in manufacturing of animal feed (poultry/ cattle) and promoted by Mr. Balmukund Kadmawala, Mr. Bajrang Lal Agarwal and Mrs. Archana Kadmawala. The company, established in July, 1997 as a proprietary concern, was later converted into a limited 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.

Analytical Approach

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

Key Rating Drivers

Strengths

• Establish track record and experienced management

SLFL has an established track record of more than two decades in the poultry business. The company further benefits from extensive experience of management. The promoters, Mr Kadmawala and Mr Agarwal, have more than two decades 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 been able to leverage Patanjali's dealership network of more than 90 to increase its operating revenue to Rs 82.78 crore in FY2019 (provisional) from Rs. 51.54 crore in the previous year. SLFL sells more than 90 per cent of its production under Patanjali brand name.

• Moderate financial risk profile

SLFL's financial risk profile is moderate as reflected by moderate net worth, gearing and comfortable debt protection metrics. The net worth stood at Rs. 7.73 crore in FY2019 (P) as compared to Rs. 5.20 crore in FY2018. The increase in net worth is on account of accretion of profits to reserves and infusion of capital of Rs.0.60 crore. The gearing stood moderate at 1.29 times in FY2019 (P) compared to 1.90 times in FY2018. The debt protection is healthy as reflected in interest coverage ratio of 3.91 per cent and debt servicing coverage of 2.73 times in FY2019 (provisional) as against 3.05 times and 2.07 times, respectively in the previous year. The financial risk profile is expected to improve supported by steady accretion of profits and in absence of any planned debt funded capex.

Weaknesses

• Thin profitability margin

SLFL operates in lightly profitable industry due to intense competition in the industry with the number of organized and unorganized players. The operating margins have remained stable at 4.27 per cent in FY2019 (Provisional) as against 4.35 per cent in FY2018 and 4.06 per cent in 2016. Acuite believes that the company's ability to sustain growth in revenue while maintaining adequate profitability will be key sensitivity factor.

• Risk inherent to agricultural industry leading to volatility of raw material prices

The industry is susceptible to agro-climatic risk and can affect the availability of raw material in adverse weather condition which may lead to price-volatility risk.

Liquidity Position

The liquidity profile is adequate marked by moderate net cash accruals as against no debt repayment obligations. The working capital cycle is efficient, marked by Gross Current Assets (GCA) of 80 days as on 31 March, 2019 (Provisional). The bank limit utilisation stood at 93 per cent for the past 6 months ended July 2019. Acuite believes that the liquidity of the company is likely to remain adequate over the medium term on account of moderate net cash accrual and increase in working capital limits.

Outlook: Stable

Acuite believes that the firm 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 further improvement in financial risk profile and its profitability margin. Conversely, the outlook may be revised to 'Negative' in case of deterioration in their financial risk profile or decline in profitability margin.

About the Rated Entity - Key Financials

	Unit	FY19 (Prov.)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	82.78	51.54	24.93
EBITDA	Rs. Cr.	3.54	2.24	1.01
PAT	Rs. Cr.	1.94	0.97	0.17
EBITDA Margin	(%)	4.27	4.35	4.06
PAT Margin	(%)	2.34	1.89	0.67
ROCE	(%)	21.37	13.71	7.57
Total Debt/Tangible Net Worth	Times	1.29	1.90	2.62
PBDIT/Interest	Times	3.91	3.05	1.51
Total Debt/PBDIT	Times	2.71	4.38	10.80
Gross Current Assets (Days)	Days	80	104	197

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
29-Aug-2019	Cash Credit	Long Term	11.00 (Enhanced from 8.50 Crore)	ACUITE BB+/ Stable (Upgraded)
	Cash Credit	Long Term	1.25	ACUITE BB+/ Stable (Withdrawn)
	Term Loans	Long Term	0.48	ACUITE BB+/ Stable (Withdrawn)
	Proposed	Long Term	0.77	ACUITE BB+/ Stable (Withdrawn)
03-June-2018	Cash Credit	Long Term	8.50	ACUITE BB/Stable
	Cash Credit	Long Term	1.25	ACUITE BB/Stable
	Term Loans	Long Term	0.48	ACUITE BB/Stable
	Proposed	Long Term	0.77	ACUITE BB/Stable

*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 (Enhanced from 11.00 Crore)	ACUITE BB+/Stable (Reaffirmed)

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About Acuité Ratings & Research:

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