

Press Release

Shree Lingraj Feeds Limited

November 18, 2020

Rating Reaffirmed



Total Bank Facilities Rated	Rs. 15.00 crore
Long Term Rating	ACUITE BB+/ 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**'.

Incorporated in December, 2002, Shree Lingraj Feeds is a Rourkela, Odisha based company engaged in manufacturing of animal feed (poultry/ cattle) with an installed capacity of 6 MT per hour. The raw material is procured from the farmers and contractors and sold to customers located in Odisha, Jharkhand, West Bengal and Chhattisgarh through its strong distributor and dealership network in those areas. Currently, the company is managed by its directors Mr. Bajranglal Agarwal, Mr. Balmukund Kadmawala and Mr. Shankar Lal Agarwal.

Analytical Approach

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

Key Rating Drivers

Strengths

- Experienced management and established track record of operations**

Established in July, 1997, SLFL is engaged in manufacturing of animal feed and hence has established track record of more than two decades. The promoters Mr. Bajranglal Agarwal, Mr. Balmukund Kadmawala and Mr. Shankar Lal Agarwal, have extensive experience of more than two decades in the business. The extensive industry experience of the promoters has enabled the company to establish a healthy relationship with its suppliers and customers. Acuite believes the company will continue to benefit from experienced promoters that will help to maintain long term relations with clients.

- Moderate financial risk profile**

The financial risk profile of the company stood moderate marked by moderate network, gearing level and healthy debt protection metrics. The tangible network stood at Rs 9.86 crore as on 31st March, 2020 (Provisional) as compared to Rs 7.72 crore in the previous year. The gearing (debt-equity) stood at 2.62 times in FY 2020 (Provisional) as compared to 1.24 times in the previous year. Total debt of Rs 25.80 crore as on 31st March, 2020 (Provisional) consist of working capital borrowings of Rs 18.95 crore, unsecured loans from directors and promoters of Rs 6.66 crore and a car loan of Rs 0.19 crore. The coverage indicators stood comfortable marked by Interest coverage ratio (ICR), which stood at 3.11 times for FY 2020 (Provisional) as compared to 3.98 times in FY 2019. Debt service coverage ratio (DSCR) stood at 2.13 times in FY 2020 (Provisional) as compared to 2.71 times in FY 2019. Net cash accruals to total debt (NCA/TD) stood at 0.09 times in FY 2020 (Provisional) as against 0.22 times in FY 2019. The Debt-EBITDA stood at 5.79 times in FY 2020 (Provisional). The financial risk profile is expected to remain at similar levels over the medium term on account of the absence of any debt-funded capex plan.

Weaknesses

- Working capital intensive nature of operations**

The operations of SLFL are working capital intensive marked by GCA (Gross Current Assets) Days of 144 days in FY 2020 (Provisional) as compared to 86 days in the previous year in FY 2019. The inventory days stood high at 108 days in FY 2020 (Provisional) as compared to 28 days in the previous year. The inventory days stood high in FY 2020 due to bulk procurement of raw material in March, 2020. The debtor days stood well managed at 31 days in FY 2020 (Provisional) as compared to 34 days in FY 2019. Other Current Assets as on 31st March, 2020 (Provisional) stood at Rs 2.09 crore which mostly consists of advance to suppliers of Rs 1.34 crore. The working capital limits remained utilized at around 85 percent for 6 months ended September, 2020. The working capital operations are expected to remain at similar levels over the medium term due to

the payment terms with its customers and suppliers.

• **Intense competition and agro climatic conditions**

The Indian agricultural industry is highly fragmented with several organized and unorganized players and due to low entry barriers (low capital and technical requirements of business and liberal policy regime). Also, the company is exposed to seasonality in agriculture commodities, mainly soya seeds. The supply for soya beans is highly dependent on the monsoon. Hence, any shortfall of rain can adversely impact the supply of agro products. Moreover, the profit margins of SPPL are vulnerable to fluctuations in raw material prices.

Rating Sensitivity

- Improvement in working capital intensity
- Sustained financial risk profile

Material Covenants

None

Liquidity Profile: Adequate

SLFL has adequate liquidity marked by moderate cash accruals to its maturing debt obligations. The company generated cash accruals of Rs 1.13-2.31 crore in FY 2018-2020 (Provisional) against maturing debt obligations of Rs 0.17-0.32 crores over the same period. The cash accruals of the company are estimated to remain in the range of around Rs. 2.48-2.98 crore during 2021-23. The current ratio stood at 1.47 times as on March 31, 2020 (Provisional). The working capital operations of the company are intensive marked by GCA (Gross Current Assets) Days of 144 days in FY 2020 (Provisional) as compared to 86 days in the previous year in FY 2019. The company maintained unencumbered cash and bank balances of Rs. 0.19 crore as on March 31, 2020 (Provisional). The working capital limits remained utilized at around 85 percent for 6 months ended September, 2020. Acuite believes that the liquidity of the company is likely to remain at similar levels over the medium term.

Outlook: Stable

Acuite believes that Shree Lingraj Feeds Limited's outlook will remain 'Stable' over the medium term from its experienced management and moderate financial risk profile. The outlook may be revised to 'Positive' in case of growth in revenues and profitability while sustaining its financial risk profile. The outlook may be revised to 'Negative' in case of a steep decline in revenues and profitability or further increasing working capital intensity.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	74.02	81.71
PAT	Rs. Cr.	2.14	1.92
PAT Margin	(%)	2.90	2.35
Total Debt/Tangible Net Worth	Times	2.62	1.24
PBDIT/Interest	Times	3.11	3.98

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
06-Sep-2019	Cash Credit	Long Term	15.00	ACUITE BB+/Stable (Reaffirmed)
29-Aug-2019	Cash Credit	Long Term	11.00	ACUITE BB+/Stable (Upgraded)
	Cash Credit	Long Term	1.25	ACUITE BB+ (Withdrawn)
	Term Loan	Long Term	0.48	ACUITE BB (Withdrawn)
	Proposed	Long Term	0.77	ACUITE BB+ (Withdrawn)
03-Jul-2018	Cash Credit	Long Term	8.50	ACUITE BB/Stable (Assigned)
	Cash Credit	Long Term	1.25	ACUITE BB/Stable (Assigned)
	Term Loan	Long Term	0.48	ACUITE BB/Stable (Assigned)
	Proposed	Long Term	0.77	ACUITE BB/Stable (Assigned)

*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	27-Jul-2020	Not Applicable	Not Applicable	15.00	ACUITE BB+/ Stable (Reaffirmed)

Contacts

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About Acuité Ratings & Research:

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