

## Press Release

### Sri Kaleswari Agro Farms

January 31, 2019

### Rating Assigned



<b>Total Bank Facilities Rated*</b>	Rs. 6.90 Cr.
<b>Long Term Rating</b>	ACUITE B / Outlook: Stable

\* Refer Annexure for details

### Rating Rationale

Acuite has assigned long-term rating of '**ACUITE B**' (read as **ACUITE B**) to the Rs. 6.90 crore bank facilities of Sri Kaleswari Agro Farms (SKAF). The outlook is '**Stable**'.

The Karnataka based, SKAF was established in 2012 as a partnership firm by Mr. R S Venkateswara Rao, Mr. Chandrashekar and Mrs. R Naga Lakshmi. The firm is engaged in the business of trading of eggs and cull birds.

### Analytical Approach

Acuite has considered the standalone business and financial risk profile of SKAF to arrive at the rating.

## Key Rating Drivers

### Strengths

- **Established track record and experienced promoters**

SKAF is engaged in poultry farming and sale of eggs. The main promoter, Mr. R S Venkateswara has experience of over three decades through family operated business in poultry farming. The day to day affairs of the partnership are managed by the second line of management, Mr. Chandrashekar who has over a decade's experience in the same line of business.

- **Average financial risk profile**

SKAF has average financial risk profile marked by tangible net worth of Rs.2.28 crore as on 31 March, 2018 as against Rs.0.85 crore as on 31 March, 2017. The debt to equity ratio stood at 1.74 times as on 31 March, 2018 as against 4.62 times as on 31 March, 2017. The debt of Rs.3.95 crore mainly consists of term loan of Rs.1.06 crore, unsecured loan of Rs.0.47 crore and working capital borrowing of Rs.2.42 crore as on 31 March, 2018. Interest Coverage Ratio (ICR) stood at 2.64 times in FY 2018 as against 1.76 times in FY2017. Debt Service Coverage Ratio (DSCR) stood at 1.35 times in FY 2018 as against 1.07 times in FY2017. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.81 times as on 31 March, 2018 as against 5.16 times as on 31 March, 2017. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.11 times as on 31 March, 2018 as against 0.06 times as on 31 March, 2017. Going forward, Acuite expects the financial risk profile to improve marginally in the absence of major debt funded capex plans.

### Weaknesses

- **Working capital intensive operations**

SKAF's operations are working capital intensive marked by high Gross Current Assets (GCA) of 177 days in FY2018 compared to 170 days in FY2017. The GCA days are mainly dominated by high inventory of 187 days in FY2018 compared to 178 days in FY2017. The average cash credit utilisation for the past six months stood at ~99 percent. Acuite believes that the efficient working capital management will be crucial to the firm in order to maintain a stable credit profile.

- **Competitive and fragmented industry**

SKAF operates in a highly competitive and fragmented industry characterised by large number of unorganised players with low entry barriers affecting margins.

### Liquidity Profile

SKAF has average liquidity profile marked by healthy net cash accruals of about Rs.1.06 crore during FY2016-18. The firm has short long term debt obligations of Rs.0.22 crore in FY2018. The cash accruals of the firm are estimated to remain between Rs.0.30 - 0.50 crore in the near to medium term, while its repayment obligations are estimated to be Rs. ~0.15 crore in the medium term, as the firm is not planning to undertake any debt funded capital expenditure in the medium term. The firm's working capital operations are high as marked by Gross Current Asset (GCA) days of 177 in FY2018. The firm had unencumbered cash and bank balances of Rs.0.13 crore as on March 31, 2018. The current ratio of the firm stood adequate at 1.34 times as on March 31, 2018. Acuite believes that the liquidity of the firm is likely to remain average over the medium term on account of low cash accrual and low debt repayments and high GCA days over the medium term.

### Outlook: Stable

Acuite believes that SKAF will maintain a 'Stable' business risk profile over the medium term. The firm will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the firm registers healthy growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the firm's revenues or profit margins, or in case of deterioration in the firm's financial risk profile and liquidity position.

### About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	7.46	7.44	6.80
EBITDA	Rs. Cr.	0.77	0.52	0.67
PAT	Rs. Cr.	0.26	0.03	0.16
EBITDA Margin	(%)	10.39	6.96	9.84
PAT Margin	(%)	3.46	0.38	2.31
ROCE	(%)	11.42	7.59	24.25
Total Debt/Tangible Net Worth	Times	1.74	4.62	4.15
PBDIT/Interest	Times	2.64	1.76	2.19
Total Debt/PBDIT	Times	4.90	7.34	4.50
Gross Current Assets (Days)	Days	177	170	157

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

Not Applicable

### 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	2.40	ACUITE B / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.43	ACUITE B / Stable
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE B / Stable
Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.07	ACUITE B / Stable

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**About Acuité Ratings & Research:**

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