

Press Release

SRIYA FARMS AND FEEDS PRIVATE LIMITED

June 12, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 25.83 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BBB-**' (read as **ACUITE BBB minus**) on the Rs. 25.83 crore bank facilities of SRIYA FARMS AND FEEDS PRIVATE LIMITED. The outlook is '**Stable**'.

Incorporated in 2015, Sriya Farms and Feeds Private Limited (SDDPL) is engaged in manufacturing and selling of poultry feed. The day to day operations are managed by its Managing Director, Dr. Suresh Babu and director, Dr. Sharada Ramamurthy.

Analytical Approach

Acuite has considered consolidated business and financial risk profiles of Sriya Farms and Feeds Private Limited and Sriya Farms together referred as 'Sriya Group'. The consolidation is mainly on account of the business synergies, strong operational synergies and common management. Extent of Consolidation: Full.

Key Rating Drivers

Strengths

- **Long track record of operations and experienced management:**

SG was incorporated in 2003 by its Managing Director, Dr. Suresh Babu and director, Dr. Sharada Ramamurthy who possess experience of over two decades in the poultry industry. The extensive experience has enabled the group forge healthy relationships with customers and suppliers. Acuite believes that SG will continue to benefit from its experienced management and established relationships with customers.

- **Healthy in revenue and profitability:**

The group has reported high revenue growth with compounded annual growth rate (CAGR) of around 27 percent through the last three years ended 31 March, 2019 (Provisional). The group reported significant revenue growth of ~21 percent with operating income of Rs.191.63 crore in FY2019 (Provisional) as against operating income of Rs.158.66 crore in FY2018. The operating margins of the group increased to 9.58 percent in FY2019 (Provisional) from 9.54 percent in FY2018. Further, the profit after tax (PAT) margin has improved to 4.09 per cent in FY2019 (Provisional) from 3.38 per cent in FY2018.

- **Comfortable financial risk profile:**

The financial risk profile is comfortable marked by high net worth and comfortable debt protection measures and moderate gearing. The net worth is high at Rs.21.30 crore as on 31 March, 2019 (Provisional) as against Rs.16.27 crore as on 31 March, 2018. The gearing of the company has stood high at 2.73 times as on March 31, 2019 (Provisional) as against 3.64 times as on 31 March, 2018. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 3.66 times as on 31 March, 2019 (Provisional) as against 4.33 times as on 31 March, 2018. The high revenue levels coupled with stable operating margins have resulted in comfortable debt protection measures. Interest Coverage Ratio (ICR) improved to 3.53 times in FY2019 (Provisional) from 3.07 times in FY2018. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.20 times as on 31 March, 2019 (Provisional) as against 0.16 times as on 31 March, 2018. Debt Service Coverage Ratio (DSCR) stood at 2.14 times in FY2019 (Provisional) as against 2.16 times in FY2018. Acuite believes that the financial risk profile of SF will continue to remain comfortable over the medium term on account of its improving scale of operations and net cash accruals.

• **Efficient working capital management:**

SF has efficient working capital operations marked by low Gross Current Assets (GCA) of 108 days in FY2019 (Provisional) as against 100 days in FY2018. The inventory and debtor levels stood at 99 and 8 days in FY2019 (Provisional) as against 95 and 7 days in FY2018, respectively. As a result, the average utilisation of bank limits stood at ~80 to 85 percent in the last six months ending April, 2019. Acuite believes that the working capital requirements will continue to remain comfortable over the medium term on account of timely payment from the customers and to the suppliers.

Weaknesses

• **Cyclical nature of poultry industry, exposure to diseases:**

Bird flu and other diseases are critical risks in the poultry business, which can affect demand and cause prolonged impact on prices.

• **Limited bargaining power:**

SF purchases day old chicks (DOC) from Venkateshwara Hatcheries which results in relatively weaker bargaining power.

Outlook: Stable

Liquidity Position Sriya group has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The group generated cash accruals of Rs.2.41 to 11.77 crore during the last four years through FY2016-19, while its maturing debt obligations were in the range of Rs.1.76 to 5.59 crore over the same period. The group's working capital operations are efficient marked by gross current asset (GCA) days of 108 in FY 2019 (Provisional). The cash credit limit of the group remains utilized at ~85 percent during the last 6 months period ended May, 2019. The group maintains unencumbered cash and bank balances of Rs.1.16 crore as on March 31, 2019 (Provisional). The current ratio of the group stands at 0.98 times as on March 31, 2019 (Provisional). Acuite believes that the liquidity of the group is likely to remain adequate over the medium term on account of healthy cash accrual and no major repayments over the medium term. Acuite believes that Sriya Group will maintain a 'Stable' outlook over the medium term from the industry experience of its promoters. The outlook may be revised to 'Positive' if there is substantial and sustained improvement in group's operating income or profitability, while maintaining its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of weakening of its capital structure and debt protection metrics.

About the Group

Sriya Group comprises of Sriya Farms and Feeds Private Limited and Sriya Farms. It was established by its managing director, Mr. Suresh Babu in 2003. Sriya Farms is engaged in poultry integration business. The group has its presence in Andhra Pradesh and Karnataka.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	191.63	158.66	0.00
EBITDA	Rs. Cr.	18.36	0.00	0.00
PAT	Rs. Cr.	7.84	0.00	0.00
EBITDA Margin	(%)	9.58	9.54	9.33
PAT Margin	(%)	4.09	3.38	2.01
ROCE	(%)	18.57	16.08	13.45
Total Debt/Tangible Net Worth	Times	2.73	3.64	7.04
PBDIT/Interest	Times	3.53	3.07	2.48
Total Debt/PBDIT	Times	3.17	3.87	4.60
Gross Current Assets (Days)	Days	108	100	109

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	18.00	ACUITE BBB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	7.83	ACUITE BBB- / Stable

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