

## Press Release

### SRIYA FARM

June 19, 2019

### Rating Assigned



<b>Total Bank Facilities Rated*</b>	Rs. 21.00 Cr.
<b>Long Term Rating</b>	ACUITE BBB- / Outlook: Stable

\* Refer Annexure for details

### Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs. 21.00 crore bank facilities of SRIYA FARM. The outlook is '**Stable**'.

Established in 2003, Sriya Farm (SF) is a proprietorship firm engaged in poultry integration business. The day to day operations are managed by its proprietor, Dr. Suresh Babu. It sells live birds majorly in Karnataka (4 districts) and Andhra Pradesh (2 districts).

### Analytical Approach

Acuite has considered consolidated business and financial risk profiles of Sriya Farms and Feeds Private Limited and Sriya Farm together referred as Sriya Group (SG). 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 proprietor, Dr. Suresh Babu 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 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 group's financial risk profile is comfortable marked by comfortable net worth and debt protection measures and high gearing. The net worth stood 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 stood high at 2.73 times as on 31 March, 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 for FY2019 (Provisional) from 3.07 times for 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:**

SG has efficient working capital operations marked by 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.

• **Intense competition:**

The company is exposed to intense market competition owing to several organized and unorganized players, limiting the bargaining power.

**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.

**Outlook: Stable**

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 Farm. It was established by its managing director, Mr. Suresh Babu in 2003. Sriya Farm 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	126.46
EBITDA	Rs. Cr.	18.36	15.14	11.80
PAT	Rs. Cr.	7.84	5.36	2.54
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>
- Consolidation of companies - <https://www.acuite.in/view-rating-criteria-22.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	21.00	ACUITE BBB- / Stable

**Contacts**

Analytical	Rating Desk
<p>Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 <a href="mailto:aditya.gupta@acuite.in">aditya.gupta@acuite.in</a></p> <p>Saurabh Rane Analyst - Rating Operations Tel: 02249294044 <a href="mailto:saurabh.rane@acuite.in">saurabh.rane@acuite.in</a></p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a></p>

**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.

**Disclaimer:** An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.acuite.in](http://www.acuite.in)) for the latest information on any instrument rated by Acuité.