

Press Release

Sriya Farm

March 11, 2021



Rating Reaffirmed and Assigned

Total Bank Facilities Rated*	Rs.21.00 Cr.
Long Term Rating	ACUITE BBB-/Outlook: Stable (Reaffirmed and Assigned)

* Refer Annexure for details

Rating Rationale

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

About the Company

Sriya Farm (SF) is a Bangalore based firm established in 2003. The firm is promoted by Dr. Suresh Babu and Dr. Sharada Ramamurthy. The firm is engaged in poultry integration business. It sells live birds majorly in Karnataka (4 districts) and Andhra Pradesh (2 districts).

Analytical Approach

Acuite has consolidated the business and financial risk profiles of Sriya Farms and Feeds private Limited and Sriya Farm, hereby referred to as Sriya Group (SG). The consolidation is on account of similar line of business, common management and significant operational synergies between the entities. Extent of Consolidation: Full.

About the Group Entities

Sriya Farms and Feeds Private Limited

Sriya Farms and Feeds Private Limited (SFFPL) is a Bangalore based company, incorporated in 2015. The company is promoted by Dr. Suresh Babu and Dr. Sharada Ramamurthy. The company is engaged in the manufacturing and selling of poultry feed.

Key Rating Drivers

Strengths

• Established track record of operations and experienced management

SG was established in 2003. The group was established by Dr. Suresh Babu and Dr. Sharada Ramamurthy. Both the promoters have more than two decades of experience and still continue to actively participate in the business. The extensive experience of the promoters have helped the group in maintaining healthy relationship with its customers and suppliers.

Acuite believes that SG will continue to benefit from its experienced management and established relationships with customers.

• Moderate working capital cycle

The group has a moderate working capital cycle marked by Gross Current Assets (GCA) days of 102 days in FY2020 and 88 days in FY2019. The inventory days increased and stood at 79 days in FY2020 as against 54 days in FY2019 on account of inability to sell of the stock as there was a significant dip in the price realization amid COVID-19 pandemic. Also, the debtor days also increased and stood at 135 days in FY2020 as against 127 days in FY2019 due to delay collection from customers as well as extension of credit period provided to customers on account of Covid-19 outbreak. The average bank limit utilization stood high at ~96.00 percent for the past six months ending January 2021.

Acuite believes that efficient working capital management will be crucial to the group in order to maintain a healthy risk profile.

Weaknesses

• Moderate financial risk profile

The group's financial risk profile is moderate marked by moderate net worth, high gearing (debt-equity) and moderate debt protection metrics. The tangible net worth of the group stood at Rs.22.08 crore as on March 31, 2020 as against Rs.18.02 crore as on March 31, 2019. The total debt of Rs.62.91 crore as on March 31, 2020 consist of long term borrowings of Rs.12.96 crore, unsecured loans from promoters of Rs.10.03 crore and short term borrowing of Rs.39.92 crore. The gearing (debt-equity) stood high at 2.85 times as on March 31, 2020 as compared to 3.27 times as on March 31, 2019. The Interest Coverage Ratio stood at 1.58 times for FY2020 as against 3.55 times for FY2019 on account of increase in interest cost and decline in EBITDA. Total Outside Liabilities/Total Net Worth (TOL/TNW) stood at 4.69 times as on March 31, 2020 as against 5.59 times as on March 31, 2019. Net Cash Accruals to Total Debt (NCA/TD) also stood at 0.06 times for FY2020 as against 0.20 for FY2019. Debt Service Coverage Ratio (DSCR) stood at 0.97 times in FY2020 as against 3.05 times in FY2019.

Acuite believes that the group is expected to maintain a moderate financial risk profile over the medium term.

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

Rating Sensitivities

- Improving the existing scale of operations and profitability
- Improving the existing financial risk profile
- Any elongation of the working capital cycle leading to deterioration in debt protection metrics.

Material Covenants

None

Liquidity Position: Adequate

The group has an adequate liquidity position marked by moderate net cash accruals to its maturing debt obligations. The group generated cash accruals of Rs.3.73-11.50 crore during the last three years through 2018-20, while its maturing debt obligations were in the range of Rs.0.40-3.00 crore over the same period. The working capital cycle of the group is moderately intensive, marked by Gross Current Assets (GCA) days of 102 days in FY2020 and 88 days in FY2019. The average bank limit utilisation stood high at ~96.00 percent for the past six months ending January 2021. The group maintained unencumbered cash and bank balances of Rs.2.70 crore as on March 31, 2020. The current ratio of group stood moderate at 1.04 times as on March 31, 2020. Acuite believes that the liquidity of the group is likely to remain adequate over the medium term.

Outlook: Stable

Acuite believes that the group will continue to maintain a 'Stable' outlook over the near to medium term owing to its established market position and experienced management. The outlook may be revised to 'Positive' in case the group achieves higher than expected growth in revenues and improvement in profitability, working capital management and debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of a significant decline in revenues and operating profit margins, or deterioration in the capital structure and liquidity position on account of higher-than-expected working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	308.25	310.89
PAT	Rs. Cr.	0.23	7.57
PAT Margin	(%)	0.08	2.43
Total Debt/Tangible Net Worth	Times	2.85	3.27
PBDIT/Interest	Times	1.58	3.55

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

Not Applicable

Any other information

None.

Applicable Criteria

- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies - <https://www.acuite.in/view-rating-criteria-60.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. Cr.)	Ratings/Outlook
19-June-2019	Cash Credit	Long Term	21.00	ACUITE BBB-/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	Not Applicable	Not Applicable	Not Applicable	12.00 (Reduced from Rs.21.00)	ACUITE BBB-/Stable (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	5.80	ACUITE BBB-/Stable (Reaffirmed)
Term Loan	June 2020	8.00	June 2022	2.40	ACUITE BBB-/Stable (Assigned)
FITL	June 2020	9.60	Mar 2021	0.80	ACUITE BBB-/Stable (Assigned)

Contacts

Analytical	Rating Desk
<p>Aditya Gupta Vice President - Corporate and Infrastructure Sector Tel: 022 49294041 aditya.gupta@acuite.in</p> <p>Vishal Kotian Analyst – Rating Operations Tel: 022 49294064 vishal.kotian@acuite.in</p>	<p>Varsha Bist Senior Manager - Rating Desk Tel: 022 49294011 rating.desk@acuite.in</p>

About Acuité Ratings & Research:

Acuité Ratings & Research 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) for the latest information on any instrument rated by Acuité.