



Press Release
Lotus Poultries Private Limited
April 01, 2024

Rating Reaffirmed and Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	7.10	ACUITE BB Reaffirmed & Withdrawn	-
Bank Loan Ratings	5.19	Not Applicable Withdrawn	-
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	12.29	-	-

Rating Rationale

Acuite has reaffirmed and withdrawn the long-term rating of '**ACUITE BB (read as ACUITE double B)**' on the Rs.7.10 crore bank facilities of Lotus Poultries Private Limited (LPPL). The rating has been withdrawn on Acuite's policy of withdrawal of ratings after receiving the client's withdrawal request and the NOC received from the banker's as per Acuite's policy on withdrawal of ratings as applicable to the respective facility/instrument.

Acuite has also withdrawn the long-term rating on the Rs.5.19 crore bank Facilities of Lotus Poultries Private Limited (LPPL). The same is withdrawn without assigning any rating as it is a proposed facility. The rating is being withdrawn on account of the request received from the company as per Acuite's policy on withdrawal of ratings as applicable to the respective facility/instrument.

Rationale for rating reaffirmation

The rating reaffirmed is driven by stable operating performance of the group in FY2023 as compared to FY2022. The operating income of the group stood at Rs.454.30 Cr. in FY2023 as against Rs.415.31 Cr. in FY2022. The operating margin stood negative at (5.01) percent in FY2023 as against (5.48) percent in FY2022. The financial risk profile of the Group moderated on account of the losses in FY2023 and FY2022. The rating also factors the Intensive working capital operations and stretched liquidity.

About Company

Hyderabad-based LPPL was incorporated in 2010 by Mr. Damodar Reddy, Mr. Srihari Reddy and Mrs. Surekha Marupuru. The company is engaged in the business of egg hatching and poultry broiler farming.

About the Group

Telangana-based, Lotus Farms (LF) and Lotus Poultries Private Limited (LPPL) together referred to as Lotus Group (LG) are promoted by Mr. Damodar Reddy, Mr. Srihari Reddy and Mrs. Surekha Marupuru. LF is engaged in poultry broiler farming, egg-hatching, and feed processing, whereas LPPL is engaged only in egg-hatching.

Unsupported Rating

Not Applicable

Analytical Approach

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

For arriving at the rating, Acuité has consolidated the business and financial risk profiles of Lotus Farms (LF) and Lotus Poultry Private Limited (LPPL) together referred to as 'Lotus Group' (LG). The consolidation is in the view of common management, strong operational linkages between the entities, and a similar line of business.

Key Rating Drivers

Strengths

Experienced management and long track record of operations

Lotus Group is engaged in the business of poultry broiler segment and is promoted by Mr. Damodar Reddy, Mr. Srihari Reddy and Mrs. Surekha Marupuru, who possess experience of more than two decades in the poultry industry. The extensive experience of the promoters has enabled the group to forge healthy relationships with customers and suppliers. Moreover, a long track record of operations of more than two decades has enabled the group to scale up its operations with its operating income standing at Rs.454.30 crore in FY2023 as against Rs.415.31 crore in FY2022. Acuite believes that Lotus Group would continue to benefit from its experienced management and established relationships with customers

Weaknesses

Below - Average Financial risk profile

Lotus group financial risk profile is below -average marked by modest net worth, moderate gearing position and below average debt protection metrics. Net worth of the group, as on March 31, 2023, stood at Rs.54.01 crore compared to Rs.47.24 crore as on March 31, 2022. The gearing level deteriorated and stood at 2.07 times as on 31 March 2023 as against 1.86 times as on 31 March 2022. The negative PAT has resulted to deterioration in the gearing levels. The Debt-EBITDA ratio doubled and stood at 10.22 times in FY2023 as against 5.02 times in FY2022, while the TOL/TNW stood at moderate 3.40 times in FY2023 as against 3.51 times in FY2022. Debt protection indicators are below average with interest coverage ratio (ICR) stood at 1.42 times as on 31 March 2023 as against 2.29 times as on 31 March 2022. Debt service coverage ratio (DSCR) stood below unity at 0.80 times on 31 March 2023 as against 1.14 times as on 31 March 2022.

Working Capital Intensive nature of operations

The working capital operations of the group are intensive in nature as reflected in its GCA days of 132 days as on March 31, 2023 as against 115 days as on March 31, 2022. High GCA days is due to high inventory days which stood at 104 days as on March 31 2023 as against 94 days as on March 31 2023. The debtors' days stood low at 12 days as on March 31, 2023 as against 10 days in March 31, 2022. The Creditor days stood at 58 days as on March 31, 2023.

Risk of capital withdrawal associated with partnership nature

Lotus Farms was established as a partnership firm in 1996. Any substantial withdrawal of capital by the partners is likely to have an adverse impact on the capital structure of the group.

Rating Sensitivities

Not Applicable

Liquidity Position: Stretched

The group's liquidity is stretched marked by low net cash accruals against to debt repayment obligations. The company has to generated net cash accruals of Rs.4.22 Cr. on FY2023 against its debt repayment obligation of Rs.7.26 Cr. during the same period. However, the strong support from the directors and promoters towards the Lotus group has resulted to infusion of USL of Rs.32.31 Cr. in FY2023. The current ratio stood above average at 1.38 times as on March 31, 2023. The bank limit utilisation of the group are moderately utilised with average utilisation of 65-70% for the last twelve months ended February, 2024.

Outlook: Not Applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	454.30	415.31
PAT	Rs. Cr.	(4.68)	0.57
PAT Margin	(%)	(1.03)	0.14
Total Debt/Tangible Net Worth	Times	2.07	1.86
PBDIT/Interest	Times	1.42	2.29

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

Not Applicable

Any Other Information

None

Applicable Criteria

- Application Of 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>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entitie: <https://www.acuite.in/view-rating-criteria-61.htm>

Note on Complexity Levels of the Rated Instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
02 Jan 2023	Cash Credit	Long Term	4.30	ACUITE BB Stable (Downgraded from ACUITE BB+ Stable)
	Proposed Term Loan	Long Term	5.19	ACUITE BB Stable (Downgraded from ACUITE BB+ Stable)
	Term Loan	Long Term	1.53	ACUITE BB Stable (Downgraded from ACUITE BB+ Stable)
	Term Loan	Long Term	1.27	ACUITE BB Stable (Downgraded from ACUITE BB+ Stable)
08 Oct 2021	Cash Credit	Long Term	4.30	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	6.89	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	1.10	ACUITE BB+ Stable (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Indian Overseas Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	4.30	ACUITE BB Reaffirmed & Withdrawn
Not Applicable	Not avl. / Not appl.	Proposed Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.19	Not Applicable Withdrawn
Indian Overseas Bank	Not avl. / Not appl.	Term Loan	10 Aug 2015	Not avl. / Not appl.	10 Jul 2023	Simple	1.53	ACUITE BB Reaffirmed & Withdrawn
Indian Overseas Bank	Not avl. / Not appl.	Term Loan	31 Oct 2021	Not avl. / Not appl.	31 Oct 2024	Simple	1.27	ACUITE BB Reaffirmed & Withdrawn

*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)

Lotus Farms (LF)

Lotus Poultries Private Limited (LPPL)

Contacts

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, Mumbai.

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