Press Release
LABHANSHI AGRITECH PRIVATE LIMITED
December 29, 2023
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	35.00	ACUITE BB- | Stable | Assigned	-
Total Outstanding Quantum (Rs. Cr)	35.00	-	-

Rating Rationale

ACUITE has assigned its long term rating of '**ACUITE BB-'(read as ACUITE double B minus)** on the long term bank facilities of Rs.35.00 Crore of Labhanshi Agritech Private Limited (LAPL). The outlook is '**Stable**'.

Rationale for rating

The rating takes into consideration the extensive experience of the promoters in the processing of soya bean DOC and oil manufacturing. The company -has set up a unit with an installed capacity of 500 tonnes capacity per day, of which 410 tonnes will be contributed towards Soya DOC and 90 tonnes will be contributed towards Soya oil. The rating also factors in the improvement in revenue which stood at Rs.144.86 Crore in FY23 against Rs.5.74 Crore in FY22. However, the above strengths are constrained by the below average financial risk profile due to operations of the company – being on nascent stage, intensive working capital requirements and moreover the profitability of the company remains susceptible to volatility in the raw material prices.

About the Company

Indore Based, Labhanshi Agritech Private Limited was incorporated in 2021. The company engaged in Manufacturing of Soya DOC and Oil manufacturing capacity of 150000 tons' pa (123000 tons' pa of DOC & 27000 tons' pa of Oil. The existing plant capacity installed in the proposed unit is around 500 tons per day. The promoters of the company are Mr. Ankush Singhal, Mr. Aayush Agrawal, Mr. Anup Singhal.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone financial and business risk profiles of Labhanshi Agritech Priavate Limited (LAPL) to arrive at the rating.

Key Rating Drivers

Strengths

Experienced management

The company was incorporated in FY22. The final products include DOC Soya and Soya Oil. The promoters of the company are Mr. Ankush Singhal, Mr. Aayush Aggarwal and Mr. Anup Singhal with the expertise and experience in the industry gained over the years. the long term presence in the industry will help the LAPL garner reputed clients such as Patanjali Foods

Limited etc. Acuité believes that going ahead, the promoter's experience would continue to support LAPL's growth.

Operational Performance
The company has achieved the turnover of Rs.144.86 Crore in FY23 against Rs.5.74 Crore. In the initial year, the entire revenue was contributed through trading business. In FY23 the portion contributed by manufacturing business stood at Rs.135.95 Crore which was contributed in the last quarter of FY23 by utilising 40% of the installed capacity and Rs.8.91 Crore contributed through trading business. Currently the company is utilizing the capacity at approximately 200 tonnes per day out of 500 tonnes per day. furthermore, the revenues of the company will likely to increase over the medium term on an account of full utilisation of its capacity. Also, - EBITDA margins of the company stood at 2.02% in FY23 against 1.68% in FY22 and the PAT margins of the company stood at 0.87% in FY23 against 1.20% in FY22. The profitability margins of the company are susceptible towards the volatility in raw material prices. Acuité believes that the scale of operations of the company will continue to show improvement over the medium term on an account of optimum utilisation of its processing unit.

Weaknesses

Below average financial risk profile
The financial risk profile of the company is below average marked by low net-worth, high gearing and moderate debt protection metrics. The net worth of the company stood at Rs.4.84 Crore as on 31 st March 2023 against Rs.0.57 Crore as on 31 st March 2022. The increase in the net worth is due to infusion of equity by the promoters along with accumulation of profits in the same year. The total debt of the company stood at Rs.34.61 Crore as on 31 st march 2023 against Rs.6.85 Crore as on 31 st March 2022. In FY23, the company undertook a term loan of Rs.3.32 Crore for the capex and support extended by the promoters of the company in the form of unsecured loans. Further, the gearing of the company is high marked as 7.16 times as on 31 st March 2023 against 12.04 times as on 31 st March 2022. The interest coverage ratio and debt service coverage ratio of the company stood at 3.02 times as on 31 st March 2023. The TOL/TNW ratio stood at 11.51 times as on 31 st March 2023. Acuite believes that the financial risk profile of the company will continue to remain high leveraged and it will remain a key sensitive factor.

Working Capital Intensive Operations
The working capital operations of the company is intensive marked by GCA days which stood at 123 days as on 31 st March 2023 against 353 days as on 31 st march 2022 and reliance on working capital is higher which stood at 97.03% in last 9 months ending Dec 2023. However, the GCA days of the company have been improved on an account of decrease in debtor days which stood at 55 days as on 31 st March 2023 against 248 days as on 31 st March 2022 as earlier the company was into trading and was operational for few months. Further, the inventory days of the company stood at 62 days as on 31 st March 2023 against 82 days as on 31 st March 2022. On the other hand, the creditor days of the company stood at 52 days as on 31 st March 2023 against 387 days as on 31 st March 2022.

Susceptibility to fluctuations in agro-based raw material price
Operations are exposed to the inherent risks associated with the agriculture based commodity business, such as availability of raw materials, fluctuations in prices, and changes in government regulations. The prices of crude edible oil are volatile in nature hence the profitability is highly susceptible to the ability of the company to pass on the same to its customers. Further, the demand-supply of vegetable oil and is affected by change in regulations in exporting and importing countries.

Rating Sensitivities

- Improvement in the operating performance and profitability margins.
- Deterioration in working capital cycle and financial risk profile.

All Covenants

None.

Liquidity Position

Adequate

The liquidity profile of the company is adequate. The company has been generating sufficient cash accruals of Rs.1.46 Crores as on 31 st March 2023 against the debt repayment obligation of almost nil in the same period. Further, the company is expected to generate enough net cash accruals against the debt repayment obligation in the medium term. Further, the current ratio of the company stood at 1.57 times as on 31 st March 2023 against 0.95 times as on 31 st March 2022. The average bank limit utilisation of the company stood at 97.03% in last 9 months ending Dec 2023.

Outlook: Stable

Acuité believes that LAPL would maintain 'Stable' outlook on the back of experienced management, revenue growth and timely support from the promoters through equity infusion. The outlook may be revised to 'Positive' in case the company reports better than expected improvement in the revenue and operating margins. Conversely, the outlook may be revised to 'Negative' in case the company reports lower than expected revenue, or any further stretch in the working capital utilisation thereby affecting its liquidity

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	144.86	5.74
PAT	Rs. Cr.	1.27	0.07
PAT Margin	(%)	0.87	1.20
Total Debt/Tangible Net Worth	Times	7.16	12.04
PBDIT/Interest	Times	3.02	160.83

Status of non-cooperation with previous CRA (if applicable)
None

Any other information
None

Applicable Criteria
- Default Recognition :- https://www.acuite.in/view-rating-criteria-52.htm
- Entities In Manufacturing Sector:- https://www.acuite.in/view-rating-criteria-59.htm
- Rating Process and Timeline: https://www.acuite.in/view-rating-criteria-67.htm
- Default Recognition: https://www.acuite.in/view-rating-criteria-52.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 :
Not applicable.

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Indian Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE BB- | Stable | Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	21.50	ACUITE BB- | Stable | Assigned
Indian Bank	Not Applicable	Term Loan	20 Aug 2022	8.80	31 Aug 2028	Simple	3.50	ACUITE BB- | Stable | Assigned

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022–49294017 mohit.jain@acuite.in Depanshi Mittal Analyst-Rating Operations Tel: 022-49294065 depanshi.mittal@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

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.