

## Sri Vaibhava Lakshmi Enterprises Private Limited

MARCH 17, 2021

### Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	31.52	CARE B+; Stable; ISSUER NOT COOPERATING* (Single B Plus; Outlook: Stable ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
<b>Total Bank Facilities</b>	<b>31.52</b> <b>(Rs. Thirty-One Crore and Fifty-Two Lakhs Only)</b>		

### Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Sri Vaibhava Lakshmi Enterprises Private Limited to monitor the rating(s) vide e-mail communications dated December 2020 to March 09, 2021 among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The rating on Sri Vaibhava Lakshmi Enterprises Private Limited bank facilities will now be denoted as **CARE B+/Stable; ISSUER NOT COOPERATING\***.

Moratorium was availed from March 2020 to August 2020

***Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).***

***(Updated for the information shared by the company)***

The ratings assigned to the bank facilities of Sri Vaibhava Lakshmi Enterprises Private Limited continues to be tempered by Decline in profitability Margin and thin PAT Margin, Leveraged capital structure and weak debt coverage indicators, Elongated operating cycle, Highly fragmented industry with intense competition from large number of players, Cyclical nature of poultry industry and risk associated to any outbreaks of bird flu and other diseases. The ratings however underpinned by Satisfactory track record, experienced and resourceful promoter, Growth in Total operating Income, Stable demand for poultry feeds

### **Key Rating Weaknesses**

#### **Decline in profitability Margin and thin PAT Margin**

The PBILD margin of the company has decreased from 13.97% in FY19 to 11.82% in FY20 due to increase in raw material cost. The PAT margin declined from 1.11% in FY19 to 0.97% in FY20 due to increase in interest expenses and depreciation amount in absolute terms.

#### **Leveraged capital structure and weak debt coverage indicators**

The Capital Structure of the company marked by The debt equity ratio of the firm though improved continues to be leveraged at 2.46x as on March 31, 2020 as against 3.05x as on March 31, 2019, the Overall gearing ratio marginally improved from 5.33x as on March 31, 2019 to 4.89x as on March 31, 2020 at back of increase in the net worth.

The debt coverage indicators of the company remained weak during review period. Total debt/GCA stood at 11.24x in FY20 deteriorated from 11.08x in FY19 on account of increased in debt levels. Furthermore, interest coverage ratio has marginally deteriorated from 2.01x in FY19 to 1.91x in FY20 due increased in PBILD in absolute terms. Total debt/CFO stood at 8.49x as on March 31, 2020.

#### **Elongated operating cycle**

The operating cycle of the company elongated and stood at 143 days in FY20 due to elongation in inventory days of 193 days in FY20 due to the nature of business operations where in the firm is required to keep high inventory level of parent bird and raw material stock to feed the birds in different growing stages and to mitigate fluctuation in raw material prices. SVLEPL receives payment from its customers on cash and carry basis. SVLEPL makes payment to its suppliers also within 1-2 months.

#### **Highly fragmented industry with intense competition from large number of players**

SVLEPL faces stiff competition in the poultry business from large number of established and unorganized players in the market. Competition gets strong with the presence of unorganized players leading to pricing pressures. However, improved demand scenario of poultry products in the country enables well for the company.

#### **Cyclical nature of poultry industry and risk associated to any outbreaks of bird flu and other diseases**

SVLEPL operates in a cyclical industry on account of outbreaks of bird flu and other diseases which can affect demand and cause prolonged impact on margins and turnover. The company margins are also susceptible to volatility in feed prices in the poultry business.

### Key Rating Strengths

#### **Satisfactory track record, experienced and resourceful promoter**

Sri Vaibhava Lakshmi Enterprises Private Limited (SVLEPL) was incorporated in the year 2011 and promoted by Mr. K. Venkatanarayana (Managing Director), Ms. K. Vasanta Sandhya Rani (Director) along with other family members. He has experience of more than a decade in the same line of business. Due to long term presence in the market, the partners have good relations with suppliers and customers.

#### **Growth in Total operating Income.**

The Total Operating Income of the company increased by 26.39% and stood at Rs. 62.50 crore IN FY20 as against Rs. 49.45 crore IN FY19.

#### **Stable demand for poultry feeds**

Poultry products like eggs have large consumption across the country in the form of bakery products, cakes, biscuits and different types of food dishes in home and restaurants. The demand has been driven by the rapidly changing food habits of the average Indian consumer, dictated by the lifestyle changes in the urban and semi-urban regions of the country. The demands for the poultry products are sustainable and accordingly, the kind of industry is relatively insulated from the economic cycle.

#### **Analytical approach:** Standalone

#### **Applicable Criteria**

[Policy in respect of Non-cooperation by issuer](#)

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Financial ratios –Non-Financial Sector](#)

[Rating Criteria – Manufacturing Companies](#)

#### **About the Company**

Sri Vaibhava Lakshmi Enterprises Private Limited (SVLEPL) was incorporated in the year 2011 and promoted by Mr. K. Venkatanarayana (Managing Directors), Ms. K. Vasanta Sandhya Rani (Director) along with other family members. The firm is engaged in farming of egg, laying poultry birds (chickens) and trading of eggs, cull birds and their Manure. The company have two units, one unit located in Telangana with an area of 70 acres and second unit located at Nandigama with an area of 16 acres and both the units are utilised for poultry business. The company has started its production of second unit located at Telangana in 2017.

The company sells its products like eggs and cull birds to retailers through own sales personnel and through some dealers located in Andhra Pradesh and Telangana.

The company mainly buys chicks (small chickens) from Tirumala Hatcheries Private Limited and Srinivasa Hatcheries Private Limited. The company purchases raw materials for feeding of birds like rice broken, maize, sun flower oil cake from local farmers in Telangana and soya from traders of Maharashtra.

Brief Financials (Rs. crore)	FY19(A)	FY20(A)
Total operating income	49.45	62.50
PBILD	6.91	7.39
PAT	0.55	0.61
Overall gearing (times)	5.33	4.89
Interest coverage (times)	2.01	1.91

A: Audited

**Status of non-cooperation with previous CRA:** CRISIL has conducted a review on the basis of best available information and has classified Sri Vaibhava Lakshmi Enterprises Private Limited as Issuer Not Cooperating vide PR dated June 18, 2020.

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

**Annexure-1: Details of Instruments/Facilities**

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	December 2024	16.02	CARE B+; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Cash Credit	-	-	-	15.50	CARE B+; Stable; ISSUER NOT COOPERATING*

\*Issuer did not cooperate; Based on best available information

**Annexure-2: Rating History of last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Term Loan	LT	16.02	CARE B+; Stable; ISSUER NOT COOPERATING*	-	1)CARE B+; Stable (23-Mar-20)	1)CARE B+; Stable (14-Jan-19)	-
2.	Fund-based - LT-Cash Credit	LT	15.50	CARE B+; Stable; ISSUER NOT COOPERATING*	-	1)CARE B+; Stable (23-Mar-20)	1)CARE B+; Stable (14-Jan-19)	-

\*Issuer did not cooperate; Based on best available information

**Annexure-3: Detailed explanation of covenants of the rated instrument -Not Applicable****Annexure 4: Complexity level of various instruments rated for this company**

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Fund-based - LT-Term Loan	Simple

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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### About CARE Ratings:

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