

L. C. Foods Limited

December 18, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	23.61	CARE BB-; Stable	Reaffirmed
Long Term / Short Term Bank Facilities	2.43	CARE BB-; Stable / CARE A4	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation of the ratings assigned to the bank facilities of L. C. Foods Limited (LCFL) remain constrained on account of modest scale of operations coupled with low profitability margins. The ratings further factor in the below average financial risk profile of the company marked by leverage capital structure and weak debt coverage indicators. The ratings are further constrained by presence of dominant players in the market and Volatile agro-commodity prices with linkages to vagaries of nature for raw material availability. The ratings however continue to draw comfort from experienced management and favourable manufacturing location.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in the total operating income (TOI) of the company above Rs.120 crore with improvement in PBILDT margin 3.50% on sustained basis.
- Sustained improvement in capital structure as marked by overall gearing below 1.50x.

Negative factors

- Deterioration in profitability margins as marked by PBILDT margin to 2.00% on a sustained basis.
- Deterioration in interest coverage ratio to below 1.00x on a sustained basis.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings believes that the company will continue to benefit from the extensive experience of the promoters in the industry.

Detailed description of key rating drivers:

Key weaknesses

Modest scale of operations

The total operating income (TOI) of the company remain modest though growing as evident from ~40.00% growth in TOI in FY24 (refers to the period April 01,2023 to March 31,2024) as against FY23. Increase in TOI can be attributed to increase in orders received. The small scale limits the company's financial flexibility in times of stress and deprives it of scale benefits. Further, the company has achieved sales of Rs. 65 crores in 7MFY25 (Refers to period April 01,2024 to October 31,2024) and is expected to clock revenue of around Rs. 125 crores in FY25.

Low Profitability Margins

The profitability margins of the company remained low as marked by PBILDT margin which moderated to 3.03% in FY24 against 3.21% in FY23 owing to increase in other manufacturing and selling expense. The profitability margins are expected to remain between 3.00- 3.50% over the medium term due to low value addition.

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Leveraged capital structure and weak debt coverage indicators

The capital structure stood leveraged as marked by overall gearing ratio of 3.30x on March 31, 2024. Further, the debt coverage indicator remained weak as marked by interest coverage ratio moderated to 1.31x in FY24 against 1.42x in FY23. Further, there is increase in total debt/GCA to 44.32x as on March 31, 2024 as against 31.36x in March 31, 2023. The debt coverage metrics and leverage ratio has weakened due to enhancement in bank borrowing leading to increase in finance cost.

Presence of dominant players in the market

The Indian wheat industry is highly fragmented and is characterized by presence of many unorganized players in the market. Wheat can further categorise into various quality of products which creates a competitive landscape owing to the presence of many small-scale companies. Also, presence of some prominent players holding major market share in staple food segment has the power to dictate price.

Volatile agro-commodity prices with linkages to vagaries of nature for raw material availability and regulated nature of the industry

LCFL is primarily engaged in the processing of wheat. Wheat being an agricultural produce is dependent on the vagaries of monsoon, while it being a staple food, its price is subject to intervention by the government. In the past, the prices of wheat have remained volatile mainly on account of the government policies in respect of Minimum Support Price (MSP), along with controls on its exports. Any volatility in the wheat prices will have an adverse impact on the performance of the flour mill. Further, wheat is cultivated between November-April and harvested in March-April. Its cultivation is dependent more on irrigation and less on the monsoon pattern. Hence, irregular rainfall patterns, improper irrigation facilities, coupled with preharvest and post-harvest losses can majorly impact its production and availability. The company is susceptible to supply side constraints like seasonal nature and exposure to the vagaries of monsoon. Therefore, any adverse climatic change in the region can impact the procurement plans of the company and in turn can impact the financial risk profile of the company.

Key strengths

Experienced Management

LCFL's operations are currently being managed by Mr. Sanjay Kesarwani and Mr. Shobhit Kesarwani. Mr. Sanjay Kesarwani is a graduate and has an accumulated experience of around two decades through his association with this entity. Prior to incorporating LCFL, he was engaged in trading of agricultural products as a wholesaler. Mr. Shobhit Kesarwani is a graduate by qualification and has an experience of around two decades through his association with this entity. In addition, the operations of the company are smoothly carried out by a team of managers and professionals who have requisite experience in their respective fields.

Location advantage

The company's processing facility is situated in Prayagraj, Uttar Pradesh. Its presence in the region gives additional advantage over the competitors in terms of easy availability of the raw material as well as favourable pricing terms. Moreover, owing to its location it is able to cut on the freight component of incoming raw materials from nearby areas like Azamgarh, Jaunpur, Barabanki, Gorakhpur and Siddharth Nagar districts.

Liquidity: Stretched

The liquidity of the position of the company remains stretched marked by tightly matched accruals vis-à-vis repayment obligations. The company has generated net cash accrual (NCA) of Rs. 0.70 crore during FY24 and is expected to generate NCA of Rs. 0.80 Crore in FY25, against repayment obligation of approx. Rs. 0.75 crore in the same year. The fund-based bank limits of were utilised at 60% during last 12 months ended November 2024. The current ratio remained comfortable at 1.79x, however quick ration stood moderate at 0.53x as on 31st March, 2024.

Assumptions/Covenants: Not Applicable

Environment, social, and governance (ESG) risks: Not Applicable

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)
[Financial Ratios – Non financial Sector](#)
[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Agricultural Food & other Products	Other Agricultural Products

Uttar Pradesh based, L.C. Foods Private Limited (LCF) was originally incorporated as a private limited company in 2003 by Mr. Shobhit Kesarwani and with support of his father Mr. Sanjay Kesarwani. In 2006, it was reconstituted to public limited (closely held) and the company's name changed to L.C. Foods Limited. The company is engaged in processing of wheat grains into wheat flour (atta), refined wheat flour (maida), bran, semolina (suji) and choker. The company has installed capacity of 3800 quintals per day at its processing unit at Prayagraj, UP.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	75.01	105.09	65.00
PBILDT	2.41	3.18	NA
PAT	0.21	0.30	NA
Overall gearing (times)	2.38	3.30	NA
Interest coverage (times)	1.42	1.31	NA

A: Audited UA: Unaudited; NA; Not available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: ICRA has reaffirmed the rating (s) assigned to L. C. Foods Limited at ICRA D; Issuer not cooperating vide its press release dated November 27, 2024.

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan	-	-	-	January 2027	3.61	CARE BB-; Stable
Fund-based - LT-Working Capital Limits	-	-	-	-	20.00	CARE BB-; Stable
Fund-based/Non-fund-based-LT/ST	-	-	-	-	2.43	CARE BB-; Stable / CARE A4

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Working Capital Limits	LT	20.00	CARE BB-; Stable	-	1)CARE BB-; Stable (27-Oct-23) 2)CARE BB-; Stable (20-Sep-23)	1)CARE B+; Stable (20-Jan-23) 2)CARE BB-; Stable (04-Apr-22)	1)CARE BB-; Stable (01-Apr-21)
2	Fund-based - LT-Bank Guarantee	LT	-	-	-	-	-	1)Withdrawn (01-Apr-21)
3	Fund-based/Non-fund-based-LT/ST	LT/ST	2.43	CARE BB-; Stable / CARE A4	-	1)CARE BB-; Stable / CARE A4 (27-Oct-23) 2)CARE BB-; Stable / CARE A4 (20-Sep-23)	1)CARE B+; Stable / CARE A4 (20-Jan-23) 2)CARE BB-; Stable / CARE A4 (04-Apr-22)	1)CARE BB-; Stable / CARE A4 (01-Apr-21)
4	Fund-based - LT-Term Loan	LT	-	-	-	-	1)Withdrawn (04-Apr-22)	1)CARE BB-; Stable (01-Apr-21)
5	Fund-based - LT-Term Loan	LT	3.61	CARE BB-; Stable	-	1)CARE BB-; Stable (27-Oct-23) 2)CARE BB-; Stable (20-Sep-23)	-	-

LT: Long term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not Applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based - LT-Working Capital Limits	Simple
3	Fund-based/Non-fund-based-LT/ST	Simple

Annexure-5: Lender detailsTo view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

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