

Sri Vaibhava Lakshmi Enterprises Private Limited

March 28, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	39.94 (Reduced from 40.00)	CARE BB-; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Sri Vaibhava Lakshmi Enterprises Private Limited (SVLEPL) are continue to remain constrained by leveraged capital structure along with moderate debt coverage indicators in FY24 (refers to the period from April to March), stretched liquidity along with working capital-intensive nature of operations, highly fragmented and competitive nature of industry and risk associated with disease outbreak in poultry business.

However, the ratings derive comfort from growing scale of operations with satisfactory profitability margins in FY24 and satisfactory track record with experienced and resourceful promoters.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in scale of operations by more than Rs.100 crore with maintaining ROCE at more than 12% on a sustained basis.
- Significant improvement in overall gearing ratio from existing level.

Negative factors

- Decline in TOI or PBILDT margin by more than 30% y-o-y.
- Deterioration in capital structure marked by overall gearing of more than 5x on sustained basis

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes that the entity will continue to benefit from industry experience of promoters and management.

Detailed description of key rating drivers:

Key weaknesses

Leveraged capital structure and moderate debt coverage indicators

The capital structure of SVLEPL although improved on account of accretion of profits but continue to remain leveraged marked by overall gearing ratio of 3.73 as on March 31, 2024 against 4.17x as on March 31, 2023 mainly due to high reliance on external debt.

However, with an increase in overall debt mainly in form of working capital borrowing along with interest cost, debt coverage indicators of SVLEPL moderated marginally and continues to remain moderate as marked by TD/GCA at 12.66 years as on March 31, 2024 (PY: 10.99 years) and interest coverage of 2.09x during FY24 compared to 2.24x during FY23.

Working capital intensive nature of operations

The business operations of SVLEPL are working capital intensive in nature marked by high utilisation of working capital limit as a result of an elongated working capital cycle. The utilisation of working capital limits remained high at 89% over the past 12 months ended February 28, 2025. This was mainly due to blockage of funds in inventory. Due to its nature of business operations where in SVLEPL is required to keep high inventory level of bird and raw material stock to feed the birds in different growing stages and to mitigate fluctuation in raw material prices leading to elongated inventory days of 196 days in FY24 (P.Y.210 days). This led to elongated operating cycle of 177 days in FY24 (P.Y. 191 days). Further, SVLEPL operates on cash & carry model. In respect of few customers, it extends one-week credit period. SVLEPL makes payment to suppliers of chicks and other feed suppliers in 25-40 days. Furthermore, the ratio of net working capital to total capital employed remained high at 67% as on March 31, 2024.

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

Highly fragmented and competitive nature of industry

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

Prevailing risk of disease outbreak in raising poultry

SVLEPL's margins are susceptible to the volatility associated with realisations of eggs and inherent risk of disease outbreak associated with poultry industry which can lead to demand collapse. Commercial poultry operations especially in the broiler segment tend to be highly volatile, given the low level of capital investment required in the business and the fragmented nature of the industry. Changes in prices of live birds, table eggs and feed costs impact the profitability and cash flows of the companies operating in poultry industry strongly. There are large variations in the production and consumption of poultry meat.

Key strengths

Growing scale of operations with satisfactory profitability margins

SVLEPL's scale of operations marked by total operating income further grew by 16% on account increase in sale of eggs, hens and litter, but remained modest of Rs.78.04 crore in FY24 (PY: Rs.67.18 crore). The clientele of the company includes local sellers and dealers. Further, The PBILDT margin remained satisfactory, however deteriorated to 9.56% in FY24 (PY: Rs. 11.76%) on account of an increase in cost of raw materials consumed. Resultantly, the PAT margin also declined marginally owing sizeable interest cost and remained moderate at 2.05% in FY24 compared to 2.52% in FY23. Further, SVLEPL has reported revenue of Rs. 80.04 crore for 11MFY25. The scale of operations is expected to remain modest in short to medium terms however, its profitability is expected to remain satisfactory for short term.

Satisfactory track record with experienced and resourceful promoters

SVLEPL was incorporated in 2011 and promoted by K. Venkatanarayana (Managing Director), K. Vasanta Sandhya Rani (Director) and family. He has more than a decade of experience in poultry business. Due to long-term presence in the market, the promoters have good relations with suppliers and customers.

Liquidity: Stretched

The liquidity position of SVLEPL remained stretched marked by high utilization of its working capital limit, tightly matched cash accruals to meet debt repayment obligation, modest cash flow from operations, elongated operating cycle and low cash & bank balance. Utilization of working capital limits remained ~89% during past 12 months ended February 28, 2025 owing to blockage of funds in inventory while unencumbered cash and bank balance was around Rs.0.03 crore as on March 31, 2024 and cash-flow from operations declined over previous year due to blockage of funds in inventory and was modest at Rs. 3.16 crore in FY24. Operations are highly working capital intensive and net working capital as a percentage of capital employed was 67% as on March 31, 2024. Further, Cash accruals are expected to remain tightly matched to meet its debt repayment obligation of Rs. 5.54 crore for FY25.

Assumptions/Covenants: Not Applicable

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

Applicable criteria

[Policy on Default Recognition](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

[Criteria on Assigning 'Outlook' and credit watch](#)

[Manufacturing Companies](#)

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

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Food Products	Meat Products including Poultry

SVLEPL was incorporated in 2011 and promoted by K. Venkatanarayana (Managing Directors), K. Vasanta Sandhya Rani (Director) and family. The company is engaged in egg farming, laying poultry birds (chickens) and trading of eggs, cull birds and their manure. The company has two units, one in Telangana (with 70-acre area) and the second in Nandigama (with 16 acres).

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	11MFY25(Prov.)
Total operating income	67.18	78.04	80.04
PBILDT	7.90	7.46	-
PAT	1.69	1.60	-
Overall gearing (times)	4.17	3.73	-
Interest coverage (times)	2.24	2.09	-

A: Audited; Prov.: Provisional; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Annexure-2

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 (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	34.25	CARE BB-; Stable
Fund-based - LT-Term Loan		-	-	October 2026	5.69	CARE BB-; Stable

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-Term Loan	LT	-	-	-	-	-	1)CARE D (11-Jun-21) 2)Withdrawn (11-Jun-21) 3)CARE D (01-Jun-21)
2	Fund-based - LT-Cash Credit	LT	-	-	-	-	-	1)Withdrawn (11-Jun-21) 2)CARE D (11-Jun-21) 3)CARE D (01-Jun-21)
3	Fund-based - LT-Cash Credit	LT	-	-	-	-	1)Withdrawn (13-Oct-22)	1)CARE B+; Stable (09-Sep-21)
4	Fund-based - LT-Term Loan	LT	-	-	-	-	1)Withdrawn (13-Oct-22)	1)CARE B+; Stable (09-Sep-21)
5	Fund-based - LT-Term Loan	LT	-	-	-	-	1)Withdrawn (13-Oct-22)	1)CARE B+; Stable (09-Sep-21)
6	Fund-based - LT-Proposed fund based limits	LT	-	-	-	-	1)Withdrawn (13-Oct-22)	1)CARE B+; Stable (09-Sep-21)
7	Fund-based - LT-Term Loan	LT	5.69	CARE BB-; Stable	-	1)CARE BB-; Stable (15-Feb-24)	1)CARE B+; Stable (08-Feb-23)	-
8	Fund-based - LT-Cash Credit	LT	34.25	CARE BB-; Stable	-	1)CARE BB-; Stable (15-Feb-24)	1)CARE B+; Stable (08-Feb-23)	-

LT: Long 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-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple

Annexure-5: Lender details

To 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.

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About us:

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