

L G Agro Industries

September 03, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	31.15	CARE BB-; Stable	Reaffirmed
Short Term Bank Facilities	8.50 (Enhanced from 6.00)	CARE A4	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation of the rating assigned to L G Agro Industries continues to remain constrained by moderate capital structure and weak debt coverage indicators, working capital intensive nature of operations as evident from high utilisation of limits, elongated operating cycle albeit slightly improved in FY25, stretched liquidity, highly competitive and regulated industry, availability and prices of raw material remain exposed to vagaries of nature and constitution of entity as a partnership firm. However, ratings derive comfort from experienced and long track record of operations, improvement in TOI in FY25, established relationship with customers and suppliers and presence across geographies and favourable location of unit.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Substantial improvement in TOI with PBILTD margins improving to above 3.5% on sustained basis resulting in improved gross cash accruals.
- Improvement in overall gearing below 1.00x and significant improvement in Total Debt to Gross Cash Accruals (TDGCA) going forward.
- Improvement in operating cycle below 100 days resulting in positive cash flow from operations

Negative factors

- Significant decline in TOI or profitability margins, going forward.
- Overall gearing deteriorating above 2.5x
- Significant withdrawal of capital impacting the capital structure of the firm, going forward

Analytical approach: Standalone

Outlook: Stable

CARE Ratings believes that L G Agro's business risk profile will continue to remain stable aided by sustenance of improved scale of operations and stable profitability margins as a result of experienced and long track record of operations.

Detailed description of key rating drivers:

Key weaknesses

Moderate capital structure weak debt coverage indicators

The capital structure of the firm continues to remain moderately high given its high reliance on external borrowings and high working capital utilization ranging between 87-90% in last 12 months ending May 2025 in order to fund its inventory requirement. The overall gearing stood at 1.86x as of March 31, 2025, as against 1.71x as of March 31, 2024 on account of increase in debt. Given its higher reliance on debt coupled with low value additive nature of business, debt coverage indicators continued to remain weak. The Debt coverage indicators marked by total debt to GCA, continued to remain high at 48.65x in FY25 from 45.01x in FY24. Further, interest coverage ratio stood moderate at 1.17x in FY25. The ability of the company to improve its profitability with improved gross cash accruals resulting in improved debt coverage indicators remain key monitorable.

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

Elongated operating cycle due to working capital intensive nature of operations

The operating cycle of the firm improved although remained high during review period. The operating cycle improved marginally from 113 days in FY24 to 109 days in FY25. The improvement in operating cycle was mainly due to reduction in receivables days as the firm offers a cash discount to customer depending on days of credit taken by customer. The firm maintains an average inventory of 3-4 months due to seasonal nature of business so that it can handle orders during the off-season to meet clients requirements. The firm receives the payment from its customers within 2 – 3 months as export payments takes time and makes the payment to its creditor either on cash basis or in a months' time. The average utilisation of working capital limits remained almost fully utilized in order to purchase large volumes of inventory to ensure the regular operations during off season.

Highly fragmented and competitive nature of industry

The Indian rice mill industry is highly unorganized and fragmented in nature. Based on product type, the rice and paddy market can be segmented into variety of products and features a fragmented and competitive landscape owing to the presence of many small-scale companies. The market also features some large companies holding prominent positions, making the market intensely competitive. Nevertheless, due to vast experience of promoters in the industry resulted in establish relations with key customers helped in bagging of repeated orders.

Exposed to vagaries of nature and availability susceptible to change in government policies

The prices of rice vary based on the monsoons and production in the crop seasons. As cost of the paddy accounts for over 89% of the overall cost, variation in rates may impact operating profitability. Inability to pass on hike in changes in commodity prices to customers may lead to volatility in the operating margin. The Government of India (GOI), every year decides a minimum support price of paddy which limits the bargaining power of rice millers over the farmers. The sale of rice in the open market is also regulated by the government through levy quota and fixed prices. Due to the above said regulations along with the intense competition, the bargaining power of the rice millers against the suppliers of paddy and the customers is limited.

Constitution of the entity as partnership firm

L G Agro was established as a partnership firm and the risk of withdrawal of partners' capital prevails apart with low net worth base restricts its overall financial flexibility in terms of limited access to external funds for any future expansion plans. Nevertheless, the firm has USL of Rs. 9.90 crore. This apart, during review period the firm has not withdrawn the capital and has infused capital of Rs.0.35 crore.

Key strengths

Improving scale of operations in FY25

The revenue has increased from Rs. 151.99 crore in FY24 to Rs. 173.76 crore in FY25 on the back of the continuous demand and repeated orders from the customers. The profitability margins are fluctuating due to its seasonal nature and has slightly improved to 2.68% in FY25 when compared with 2.43% in FY24. The improvement is primarily on account of improved sales volume coupled with efficient procurement of paddy. The firm has reported a TOI of Rs. 24.29 in Q1FY26.

Experienced promoters with long track record of operations

The firm was set up by Mr. L Srinivas, L. Srikanth, L. Lalitha in 2003 in a partnership firm to process paddy into rice, and also generates by-products such as broken rice, bran, in its unit Nalgonda, Telangana. Presence of more than two decades in the rice segment has enabled the promoters to establish strong relationship with customers and suppliers. Further the partners and relatives have been infusing funds in the form of unsecured loans as and when required.

Established relationship with customers and suppliers and presence across geographies

LGA exports rice to Qatar, Dubai and Middle Eastern countries. The managing partner Mr. L Srinivas has been in this business for more than 2 decades and had developed longstanding and established relations with its suppliers in the domestic market as well as customers across geographies. The same can be corroborated from the fact that the company has been able to register growth in revenue from past 5 years.

Favourable location of the unit

The firm's processing facility is situated at Nizamabad, Telangana which is one of the largest producers of paddy in India. The total paddy region under Nizamabad is 3.32 lakh acres. Paddy procurement is picking up pace in the district. Local set -up gives the advantage of tightly managed logistics and forwarding arrangements and elimination of intermediaries.

Liquidity: Stretched

Liquidity remains stretched marked by almost near to full utilised working capital limits to 87%, working capital is primarily blocked in inventory. The firm has also reported instances of overdrawals during FY25 indicating high reliance on working capital facilities, however, the same was regularised within 9 days. The comfort can be drawn from the fact that promoters extend support in the form of unsecured loans to meet its operational requirements and repayment obligations.

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

Telangana based L.G Agro Industries (LGA) was set up in 2003 as a partnership firm by Mr. L Srinivas, Mr. L Srikanth, and Ms. L Lalitha. LGA mills and processes paddy into rice, and also generates by-products such as broken rice, bran, and husk at its unit in Nalgonda, Telangana with the total capacity of 48000 MT with average capacity utilization of 80%. The firm also exports rice to countries like Qatar, Dubai and middle eastern countries and generates 20-25% revenue from exports every year. The firm's majority of revenue is from domestic market in and around states primarily in southern region and few states in the North of India.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (UA)
Total operating income	151.99	173.76
PBILDT	3.70	4.66
PAT	0.68	0.76
Overall gearing (times)	1.71	1.86
Interest coverage (times)	1.26	1.17

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Brickworks has conducted the review on the basis of the best available information and has classified the L G Agro Industries as 'Issuer Not Cooperating' vide its press release dated Feb 27, 2025. The action is on account of absence of requisite information.

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-Cash Credit		-	-	-	30.00	CARE BB-; Stable
Fund-based - LT-Term Loan		-	-	30/11/2025	1.15	CARE BB-; Stable
Fund-based - ST-Packing Credit in Indian rupee		-	-	-	8.50	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 2025-2026	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
1	Fund-based - LT-Term Loan	LT	1.15	CARE BB-; Stable	1)CARE BB-; Stable (18-Aug-25)	1)CARE BB-; Stable (02-Jul-24)	1)CARE BB-; Stable (31-May-23)	-
2	Fund-based - LT-Cash Credit	LT	30.00	CARE BB-; Stable	1)CARE BB-; Stable (18-Aug-25)	1)CARE BB-; Stable (02-Jul-24)	1)CARE BB-; Stable (31-May-23)	-
3	Fund-based - ST-Packing Credit in Indian rupee	ST	8.50	CARE A4	1)CARE A4 (18-Aug-25)	1)CARE A4 (02-Jul-24)	1)CARE A4 (31-May-23)	-

LT: Long term; ST: 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-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based - ST-Packing Credit in Indian rupee	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CareEdge 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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