

Lakshya Food (India) Limited

February 28, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	28.45	CARE BB-; Stable; ISSUER NOT COOPERATING* (Double B Minus; Outlook: Stable ISSUER NOT COOPERATING*)	Revised from CARE BB; Stable (Double B; Outlook: Stable) and moved to ISSUER NOT COOPERATING category
Total Bank Facilities	28.45 (Rs. Twenty-Eight Crore and Forty-Five Lakhs Only)		

*Issuer did not cooperate; Based on best available information
Details of instruments/facilities in Annexure-1

Detailed Rationale and key rating drivers

CARE has been seeking information from Lakshya Food (India) Limited to monitor the rating vide e-mail communications dated February 22, 2022, February 20, 2022, February 08, 2022, February 07, 2022 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 of Lakshya Food (India) Limited's bank facilities will now be denoted as CARE BB-; Stable; ISSUER NOT COOPERATING*.

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

The revision in the ratings assigned to the bank facilities of Ganpati Foods (GF) continue to be constrained by its fluctuating scale of operations and declining profitability margins, seasonal nature of operations and presence in a highly fragmented & competitive industry. The rating further remains constrained by the susceptibility to changes in government policies & environmental conditions. The rating, however, derives strength from the established procurement sources with self-owned dairy farm and established selling network, experienced promoters and satisfactory solvency position.

Detailed description of the key rating drivers

Key Rating Weaknesses

Fluctuating scale of operations and declining profitability margins:

In FY21 (refers to the period April 01 to March 31), the total operating income of the company declined by ~10% on a year-on-year basis, mainly on account of owing to lower sales made to hotel and marriage palaces because of the government regulations regarding the number of people that can gather in marriage and other events in light of the Covid-19 pandemic. The profitability margins of the company, however, declined to 3.74% and 0.34%, respectively, in FY21 (PY: 4.08% and 0.24%) which was mainly on account of higher raw material prices.

Seasonal nature of operations:

India being a tropical country renders a hot and humid climate for the animals and thus there is a fluctuation in the milk production. There is a flush season in the cooler parts of the year whereas the production goes down in the warmer months. LFIL converts the surplus milk during November-April (flush season) into ghee, skimmed milk powder, leading to high inventory/finished goods so as to maintain the continuous supply of products round the year. This leads to increased working capital requirement during the period leading to high overall gearing at year end.

Sensitivity to changes in government policies and environmental conditions:

The dairy industry has inherently low profitability margins with raw material cost (milk) forming a significant portion of the total costs. The supply of milk and its prices are exposed to several external risks like government policies, cattle diseases, yield, etc. Any fluctuation in prices of milk will have a direct impact on the profitability margins of the company.

Highly fragmented & competitive industry:

LFIL operates in a highly fragmented and competitive industry. It faces stiff competition from established brands (such as Verka, Vita, etc.) in the organized market and independent milk vendors in the unorganized market.

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

Key Rating Strengths

Experienced promoters:

The company was incorporated in 2007. The operations of the company are currently being managed by Mr. Lakshman Bimal Joukani, Mr. Joel Rupani, Mr. Ankit Redhu and Mr. Harpal Singh and Mr. Satbir Singh. The directors are having an experience ranging between 6-15 years. Mr. Joel Rupani is a Bachelor of Science in Food Technology from Wisconsin, United States of America (USA) and looks after the production domain of the company. Mr. Lakshman is a Master in Science in International Marketing from United Kingdom (UK) and looks after the sales and marketing domain of the company. The promoters are assisted by a team of professionals which are highly experienced in their respective domains.

Established procurement sources with self-owned dairy farm and established selling network:

LFIL has adequate arrangements in place for procurement of milk. The company owns and operates its own dairy farm with around 1540 cattle producing around 0.08 lac litres milk per day. Further, the company procures milk directly from farmers instead of contractors to ensure the quality of milk. The company further procures approximately 0.72 lac litres milk per day through its 915 Village level centres located primarily in milk surplus region of Haryana. The company is also engaged in the selling of various value-added products and packed milk under the brand name "Lakshya". The brand is well accepted in Haryana and nearby markets of Punjab, Chandigarh Tri-city and Himachal Pradesh. Furthermore, LFIL has a strong distribution network with 172 distributors and 200+ booths in Haryana, Chandigarh Tri-city and Himachal Pradesh.

Satisfactory solvency position:

The company's debt comprised mainly of working capital borrowings along with small vehicle loans. Capital structure of the company remained at a comfortable level with an overall gearing ratio of 0.52x, as on March 31, 2021. The same deteriorated slightly from 0.48x as on March 31, 2020 on account of high borrowings outstanding at the end of the year and accretion of profits to the networth. The debt coverage indicators, however, deteriorated on account of lower profitability and profitability, with a total debt to GCA ratio of 13.48x (PY: 9.69x), as on March 31, 2021 and an interest coverage ratio of 1.86x (PY: 1.94x) in FY21.

Liquidity analysis: Stretched

The current and quick ratios of LFIL stood moderate at 1.35x as on March 31, 2021, respectively (PY: 1.42x). The company did not avail moratorium on bank facilities availed. However, additional Covid line of Rs. 2.60 cr. was availed. The firm had total free unencumbered cash and bank balance of around Rs. 0.84 cr., as on March 31, 2021. The operating cycle of the company remained elongated at ~125 days as on March 31, 2021 (PY: ~109 days).

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](#)

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

[Rating Methodology - Manufacturing Companies](#)

About the Company

Haryana-based, LFIL was initially setup in 2007 as a private limited company. However, it was reconstituted as a public limited company in 2008. LFIL is promoted by Mr. Ankit Redhu (son of Mr. Baljit Singh Redhu) and Venture Capitalist funds Bellamoosh Investments LLP and Lalsham Ventures LLP. The company has a dairy farm and a milk-processing unit in Jind (Haryana) with an installed capacity of processing raw milk of 1.5 lakh liters per day (LLPD). It sells dairy products, such as pasteurised milk, ghee, butter, curd, paneer, flavoured milk, Khoya, sweets and ice-cream, under the brand name- 'Lakshya'. LFIL is an ISO 22000-2005 certified company for the purpose of Food Safety Management System. Earlier, LFIL had three group concerns viz. Redhu Hatcheries Private Limited, Redhu Farms Private Limited and JM Feed Mills Private Limited engaged in poultry business. With the resignation of the common directors from LFIL, these companies, now remain related parties of LFIL.

Rs. Crore

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	9MFY22
Total operating income	134.41	120.88	NA
PBILDT	5.48	4.52	NA
PAT	0.32	0.42	NA
Overall gearing (times)	0.48	0.52	NA
Interest coverage (times)	1.94	1.86	NA

A: Audited;

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	26.00	CARE BB-; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan		-	-	July 2022	2.45	CARE BB-; 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 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Cash Credit	LT	26.00	CARE BB-; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable (23-Mar-21) 2)CARE BB; Stable (03-Apr-20)	-	1)CARE BB; Stable (28-Mar-19) 2)CARE BB; Stable (23-Apr-18)
2	Fund-based - LT-Term Loan	LT	2.45	CARE BB-; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable (23-Mar-21)	-	-

*Issuer did not cooperate; Based on best available information

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not Applicable

Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple

Annexure 5: Bank Lender Details for this Company

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

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

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating. Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

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