

Sri Vaibhava Lakshmi Enterprises Private Limited
March 23, 2020

Ratings

Facilities	Amount(Rs. crore)	Rating1	Rating Action
Long term Bank Facilities	31.52 (Reduced from Rs.40.00)	CARE B+; Stable (Single B Plus; Outlook; Stable)	Reaffirmed
Total Facilities	31.52 (Rs. Thirty one crore and fifty two Lakhs only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities of Sri Vaibhava Lakshmi Enterprises Private Limited (SVLEPL) are continues to be tempered by small scale of operations with fluctuating profitability margin, leveraged capital structure and debt coverage indicators during review period, elongated operating cycle, highly fragmented industry with intense competition from large number of players and cyclical nature of poultry industry. The rating also takes into account of increase in total operating in FY19 The rating, however, underpinned by strength from satisfactory track record, experienced and resourceful promoter, growth in total operating income during review period and stable outlook demand of poultry products.

Rating Sensitivities***Positive Factor***

- Increase in profitability margins by 200 bps.
- Gearing ratio below 2.00x improve the financial risk profile of the company.

Negative Factor

- Decrease in TOI by 30% leads to substantial decrease in GCA levels.
- Elongation in operating cycle days to 200

Detailed description of the key rating drivers**Key rating weakness*****Small scale of operations with fluctuating profitability margins.***

The scale of operations of the company remained small marked by Total operating income of Rs.49.45 crore in FY19 with low net worth base of Rs.6.76 crore as on 31st March 2019 . The company has a low GCA levels of Rs.3.20 crore in FY19.

The PBILDT margin increased by 94bps and stood at 13.97% in FY19 on account of absorption of fixed expenses on increase in scale of operations. The PAT margin declined from 1.64% in FY18 to 1.11% in FY19 due to increase in interest expenses and depreciation amount.

Leveraged capital structure and weak debt coverage indicators

The debt equity ratio of the firm improved from 3.91x as on 31st March 2018 to 3.05x as on 31st March 2019 on account of schedule repayment of term loans. Albeit there is higher utilization of the working capital facility of Rs.15.44 crore as on 31st March 2019 compared to Rs.10.03 crore as on 31st March 2018, the overall gearing ratio marginally improved from 5.52x as on 31st March 2018 to 5.33x as on 31st March 2019 on account of increase in net worth on accretion of profits to reserves. The Total debt/ GCA marginally slightly deteriorated from 11.25x in FY18 to 11.27x in FY19 due to increase in debt levels. The PBILDT/ Interest also deteriorated from 2.68x in FY18 to 2.01x in FY19 due to increase in interest expense on higher utilization of working capital facility.

Elongated operating cycle

The operating cycle of the company elongated and stood at 155 days in FY19 due to elongation in inventory days from 141 days in FY18 to 197 days FY19 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 15-30 days. The average utilization of working capital facility is 95% during past twelve months ended February 29, 2020

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

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

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 31.97% and stood at Rs.49.45 crore on account of increase in demand and repeat orders from the existing customers.

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.

Liquidity: Stretched

The current ratio of the company stood at 1.18x as on 31st March 2019 with higher utilization of the working capital facility stood at 95% as on February 29, 2020. The cash and bank balances stood at Rs.0.08 crore as on balance sheet closing date.

Analytical approach: Standalone

Applicable Criteria

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

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

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

[Rating Methodology -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.

Brief Financials (Rs. crore)	31-03-2018	31-03-2019
	A	A
Total operating income	37.47	49.45
PBILDT	4.88	6.91
PAT	0.61	0.55
Overall gearing (times)	5.52	5.33
Interest coverage (times)	2.68	2.01

A: Audited

Status of non-cooperation with previous CRA: CRISIL has conducted the review on the basis of best available information and has classified Sri Vaibhava Lakshmi Enterprises Private Limited as "Not Cooperating" vide its press release dated March 27, 2019

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
Fund-based - LT-Cash Credit	-	-	-	15.50	CARE B+; Stable

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook

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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Term Loan	LT	16.02	CARE B+; Stable	-	1)CARE B+; Stable (14-Jan-19)	-	-
2.	Fund-based - LT-Cash Credit	LT	15.50	CARE B+; Stable	-	1)CARE B+; Stable (14-Jan-19)	-	-

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. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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