

Kovilpatti Lakshmi Roller Flour Mills Limited

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REF/BSE/2024-25/

31st May, 2024

BSE Limited
BSE's Corporate Relationship Department
First Floor, New Trading Ring
Rotunda Building, P. J. Towers
Dalal Street
Mumbai – 400001.

Dear Sirs,

Scrip code 507598

Sub: Disclosure on credit rating - Regulation 30 of the SEBI (LODR) Regulations, 2015

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, we wish to intimate you that CRISIL Ratings Limited, vide its website publication dated 31st May, 2024, has assigned its rating to the following bank facilities of the Company as given herein below, as per the rationale attached.

Sl.No	Type of bank facility	Amount (Rs.in crores)	Rating (existing)	Rating assigned (new)
1	Cash credit / Overdraft facility	35	CRISIL BBB/Stable	CRISIL BBB/Stable
2	Long term loan	22	CRISIL BBB/Stable	CRISIL BBB/Stable
3	Pledge Loan	34	CRISIL A3+	CRISIL A3+

Kindly take the same on record.

Thanking you,

Yours faithfully,
For Kovilpatti Lakshmi Roller Flour Mills Limited

S.Piramuthu
Company Secretary and Compliance Officer
FCS No. 9142

Encl: As above

Rating Rationale

May 31, 2024 | Mumbai

Kovilpatti Lakshmi Roller Flour Mills Limited

Ratings Reaffirmed

Rating Action

Total Bank Loan Facilities Rated	Rs.91 Crore
Long Term Rating	CRISIL BBB/Stable (Reaffirmed)
Short Term Rating	CRISIL A3+ (Reaffirmed)

Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has reaffirmed its ratings on the bank facilities of Kovilpatti Lakshmi Roller Flour Mills Limited (KLRFML) at 'CRISIL BBB/Stable/CRISIL A3+'.

On August 22, 2022, the board of directors of Kovilpatti Lakshmi Roller Flour Mills Limited (KLRFML, Transferee Company) has proposed approval for amalgamation with Raya Foods Private Limited (Transferor Company), the application was filed with NCLT. Subsequently in February 2, 2024, the final order from National Company Law Tribunal (NCLT) was received approving the amalgamation, and Raya Foods Private Limited officially merged with KLRFML with effective date from April 1, 2022.

The amalgamation has enabled consolidation of flour mills business of both the companies into one entity which has facilitated economies of scale, focused growth, business synergies and better supervision of the business of the company as reflected in the improved scale of operations to Rs. 410.90 crores for FY2024 as against Rs.330 crores of FY2023 (pre-amalgamation). Operating profitability has also increased to 6.4% in FY2024 from 5.7% in FY2023 (pre-amalgamation). However, the company is yet to utilise the capacity of the newly added capacity. Also, the debt level of the company post amalgamation has considerably increased which led to moderate gearing of 1.28 times as on May 31, 2024. Any further debt addition and stabilization of the new unit would remain key rating monitorable.

The rating continues to reflect KLRFML's extensive industry experience of the promoters, moderate working capital cycle and moderate financial profile. These strengths are partially offset by its susceptibility to climatic conditions and susceptibility of operating margin to volatility in raw material prices.

Key Rating Drivers & Detailed Description

Strengths:

Extensive industry experience of the promoters:

The promoters have experience of over 40 years in agriculture and engineering division industry. This has given them an understanding of the dynamics of the market and enabled them to establish relationships with suppliers and customers.

Moderate working capital cycle:

Gross current assets are at 80-100 days over the three fiscals ended March 31, 2024. Its moderate working capital management is reflected in its gross current assets (GCA) of 96 days as on March 31, 2024. It is required to extend the long credit period in line with the industry standards. As the customers are small and medium-sized player who require credit. Furthermore, to meet its business requirements, it hold large work in process & inventory.

Moderate financial profile:

KLRFML's capital structure is marked by moderate level reliance on external funds yielding estimated gearing of around 1.28 times as on 31st March 2024. KLRFML's debt protection measures have also been at a comfortable level despite leverage due to moderately healthy profitability. The interest coverage and net cash accrual to total debt (NCATD) ratio are estimated to be at 2.67 times and 0.17 times for fiscal 2024. KLRFML's debt protection measures are expected to remain at a similar level over medium term.

Weakness:**Susceptibility to climatic conditions:**

The crop yield of agricultural commodities is dependent on adequate and favorable climatic conditions. Thus, KLRFML is exposed to the risk of limited availability of its key raw material during a unfavorable climatic condition. Also, production may be impacted by pests or crop infection leading to higher unpredictability in production and pricing of agri-commodities and derived products.

Susceptibility of operating margin to volatility in raw material prices:

In the engineering division, the prices of iron, steel, etc key raw material are volatile. As raw material costs comprise a majority of the operating income/cost of manufacturing, operating profit margin is susceptible to sharp adverse movement in input prices. The impact of engineering division's profitability and subsequent effect of on the business risk profile of the company shall remain a key rating monitorable, going forward.

Liquidity: Adequate

Bank limit utilization is moderate at around 60 percent for the past twelve months ended April 2024. The company is expected to generate cash accrual of Rs.15 - 20 crore which is sufficient against the repayment obligation of over Rs. 10 cr over the medium term.

The current ratio are healthy at 1.97 times on March 31, 2023. The promoters are likely to extend support in the form of equity and unsecured loans to meet its working capital requirements and repayment obligations.

Outlook: Stable

CRISIL Ratings believe KLRFML will continue to benefit from the extensive experience of its promoter, and established relationships with clients.

Rating Sensitivity Factors**Upward factor**

- Sustained improvement in scale of operation and sustenance of operating margins leading to higher cash accruals of more than Rs. 25 crores.
- Improvement in financial risk profile and debt protection metrics

Downward factor

- Decline in scale of operations leading to net cash accruals lower than Rs. 13 crores
- Any large debt-funded capital expenditure or substantial increase in its working capital requirements thus weakening the company's liquidity & financial profile

About the Company

KLRFML was incorporated in 1961. The company operates in two segments: the engineering division and foods division. Foods division offers maida, sooji, atta and wheat products under Kuthuvilakku, Kera and Alamaram brands. The engineering division produces ferrous castings and sheet metal designs which caters to a range of clients in the automotive, capital equipment, pumps & valves and general engineering sectors. It has two manufacturing facilities located at Tamil Nadu and is promoted by Mr. Suresh Jagannathan and family.

Key Financial Indicators

As on/for the period ended March 31	Unit	2023*	2022
Operating income	Rs crore	405.41	273.35
Reported profit after tax	Rs crore	10.09	8.53
PAT margins	%	2.49	2.75
Adjusted Debt/Adjusted Networkth	Times	1.30	0.89
Interest coverage	Times	2.77	3.55

Any other information: Not Applicable

Note on complexity levels of the rated instrument:

CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the CRISIL Ratings` complexity levels please visit www.crisilratings.com. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size	Complexity Levels	Rating assigned with outlook
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					(Rs.Cr)		
NA	Cash Credit / Overdraft facility	NA	NA	NA	35	NA	CRISIL BBB/Stable
NA	Long Term Loan	NA	NA	Sept-2028	22	NA	CRISIL BBB/Stable
NA	Pledge Loan	NA	NA	NA	34	NA	CRISIL A3+

Annexure - Rating History for last 3 Years

Instrument	Current			2024 (History)		2023		2022		2021		Start of 2021
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT/ST	91.0	CRISIL A3+ / CRISIL BBB/Stable		--	25-10-23	CRISIL A3+ / CRISIL BBB/Stable	30-08-22	CRISIL A3+ / CRISIL BBB/Stable		--	--
			--		--		--	10-06-22	CRISIL A3+ / CRISIL BBB/Stable		--	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Cash Credit / Overdraft facility	35	HDFC Bank Limited	CRISIL BBB/Stable
Long Term Loan	22	HDFC Bank Limited	CRISIL BBB/Stable
Pledge Loan	34	HDFC Bank Limited	CRISIL A3+

Criteria Details

Links to related criteria
CRISILs Bank Loan Ratings - process, scale and default recognition
CRISILs Approach to Financial Ratios
Rating criteria for manufacturing and service sector companies
CRISILs Criteria for rating short term debt

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