

Kovilpatti Lakshmi Roller Flour Mills Limited

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REF/BSE/2023-24/

26th October, 2023

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 25th October, 2023, 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	15	CRISIL BBB/Stable	CRISIL BBB/Stable
2	Long term loan	41	CRISIL BBB/Stable	CRISIL BBB/Stable
3	Pledge Loan	35	CRISIL A3+	CRISIL A3+

Kindly take the same on record.

Thanking you,

Yours faithfully,
For Kovilpatti Lakshmi Roller Flour Mills Limited

SANKARACURTAL
AM PIRAMUTHU

Digitally signed by
SANKARACURTALAM
PIRAMUTHU
Date: 2023.10.26 15:48:58
+05'30'

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

Encl: As above

Rating Rationale

October 25, 2023 | Mumbai

Kovilpatti Lakshmi Roller Flour Mills Limited

Ratings reaffirmed at 'CRISIL BBB/Stable/CRISIL A3+'

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

The rating continues to reflect KLRFML's extensive industry experience of the promoters, moderate working capital cycle, well established customer base, healthy product diversity supports the scale and sustainability 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.

Analytical Approach

USL from promoters of around Rs. 2.85 crore, as on March 2023, has been treated as NDNE. The same is expected to remain in the business over the medium term.

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 asset is at 80-100 days over the three fiscals ended March 31, 2023. Its moderate working capital management is reflected in its gross current assets (GCA) of 72 days as on March 31, 2023. 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 has been at moderate healthy level due to limited reliance on external funds yielding gearing of around 0.69 times in March 2023. 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 at 4.67 times and 0.38 times for fiscal 2023. 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

Liquidity is adequate marked by large cushion in working capital limits and sufficient cushion between cash accruals and repayment obligations. The working capital bank limits have been utilised at 55 percent for the twelve months ended September 2023. The group is expected to generate cash accrual of Rs.15 crore per annum, against which that shall be adequate to meet repayment obligations of around Rs 6-8 crore. Further liquidity is also supported by funding support in the form of unsecured loans from promoters, which were at around Rs.2.85 crore as on March 31, 2023. 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 at over 8%, leading to higher cash accruals.
- Improvement in financial risk profile

Downward factor

- Decline in scale of operations leading to net cash accruals lower than Rs. 10 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		2023	2022
Operating income	Rs crore	330.45	273.35
Reported profit after tax	Rs crore	11.06	8.53
PAT margins	%	3.33	2.75
Adjusted Debt/Adjusted Net worth	Times	0.69	0.89
Interest coverage	Times	4.67	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 (Rs crore)	Complexity Level	Rating assigned with outlook
NA	Cash Credit / Overdraft facility	NA	NA	NA	15	NA	CRISIL BBB/Stable
NA	Long Term Loan	NA	NA	Sep-2028	41	NA	CRISIL BBB/Stable
NA	Pledge Loan	NA	NA	NA	35	NA	CRISIL A3+

Annexure - Rating History for last 3 Years

		Current		2023 (History)		2022		2021		2020		Start of 2020
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT/ST	91.0	CRISIL A3+ /		--	30-08-22	CRISIL A3+ /		--		--	--

			CRISIL BBB/Stable				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	15	HDFC Bank Limited	CRISIL BBB/Stable
Long Term Loan	41	HDFC Bank Limited	CRISIL BBB/Stable
Pledge Loan	35	HDFC Bank Limited	CRISIL A3+

Criteria Details

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

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