

Kovilpatti Lakshmi Roller Flour Mills Limited

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REF/BSE/2024-25/

15th November 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 15th November 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/Negative
2	Long term loan	22	CRISIL BBB/Stable	CRISIL BBB/Negative
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

SANKARACURTA Digitally signed by
SANKARACURTALAM PIRAMUTHU
Date: 2024.11.15 17:12:38 +05'30'
LAM PIRAMUTHU

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

Encl: As above

Rating Rationale

November 15, 2024 | Mumbai

Kovilpatti Lakshmi Roller Flour Mills Limited

Rating outlook revised to 'Negative'; Ratings Reaffirmed

Rating Action

Total Bank Loan Facilities Rated	Rs.91 Crore
Long Term Rating	CRISIL BBB/Negative (Outlook revised from 'Stable'; Rating 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 revised its outlook on the long-term bank facilities of Kovilpatti Lakshmi Roller Flour Mills Limited (KLRFML) to '**Negative**' from 'Stable' while reaffirming the rating at '**CRISIL BBB**'. Further, CRISIL Ratings has reaffirmed its '**CRISIL A3+**' rating on the short-term bank facilities of the firm.

The change in outlook pertains to the weaker than expected business performance in the current fiscal. The total operating income for FY25 H1 is around Rs. 209 crores with a lower operating margin of around 1.32 percent. This is due to higher COGS (cost of goods sold) from the food division which has resulted in lower overall margins for the company. However, the same is expected to improve in FY25 H2 with improvement in overall gross margins and cost cutting measures by the company. The financial risk profile remains moderate, however with the reduced margins the interest cover ratio for FY2025 is expected to be around 1.8 to 2 times and expected to improve in the medium term with improvement in the operating margins which will be key 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.

Analytical Approach

CRISIL Ratings has evaluated the standalone business and financial risk profiles of KLRFML

Key Rating Drivers & Detailed Description

Strengths:

Extensive industry experience of the promoters: The promoters have experience of over 40 years in the 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 debtors and inventory days of 20 and 60 as on 30, Sep,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 1.16 times as on 31st September 2024. KLRFML's debt protection measures have been estimated at 1.8 to 2 times for FY2025 but expected to improve in the medium term with improvement in the operating profitability.

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 an 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. Also, the crop yield of agricultural commodities depends on adequate and favourable climatic conditions. Thus, KLRFML is exposed to the risk of limited availability of its key raw material because of unfavourable climatic conditions. Also, production may be impacted by pests or crop infection, leading to higher unpredictability in production and pricing of agricultural commodities and derived products. The margins for the company in FY25 H1 have been majorly impacted due to the increased price of raw material price in the food division and improvement in margins both in engineering and food division shall remain a key rating monitorable, going forward.

Liquidity: Adequate

Bank limit utilization is moderate at around 57 percent for the past seven months ending Oct 2024. The company is expected to generate around Rs. 8.5 to 9.5 crores of net cash accruals in FY25 H2 which is sufficient for their term debt obligation of around Rs. 5.4 crores. 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: Negative

Improvement in business performance, primarily operating margins will be key monitorable in the medium term.

Rating Sensitivity Factors

Upward Factors:

- Sustained topline with improvement in operating margins to around 4.5 percent leading to higher-than-expected net cash accruals
- Improvement in financial risk profile and debt protection metrics

Downward Factors:

- Decline in scale of operations or margins to lower than 4 percent leading to lower-than-expected cash accruals
- 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	410.91	405.41
Reported profit after tax	Rs crore	7.80	10.85
PAT margins	%	1.90	2.68
Adjusted Debt/Adjusted Networkth	Times	1.34	1.46
Interest coverage	Times	2.45	2.90

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 Levels	Rating Outstanding with Outlook
NA	Cash Credit / Overdraft facility	NA	NA	NA	35.00	NA	CRISIL BBB/Negative

NA	Pledge Loan	NA	NA	NA	34.00	NA	CRISIL A3+
NA	Long Term Loan	NA	NA	30-Sep-28	22.00	NA	CRISIL BBB/Negative

Annexure - Rating History for last 3 Years

		Current		2024 (History)		2023		2022		2021		Start of 2021
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT/ST	91.0	CRISIL A3+ / CRISIL BBB/Negative	31-05-24	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/Negative
Long Term Loan	22	HDFC Bank Limited	CRISIL BBB/Negative
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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