Kovilpatti Lakshmi Roller Flour Mills Limited

Regd.Office & Flour Mill
75/8, Benares cape Road
Gangaikondan – 627352
Tirunelveli District
Tamil Nadu
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REF/BSE/2022-23/ 13th June, 2022

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 letter dated 13th June, 2022, 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 assigned
1	Cash credit / Overdraft facility	15	CRISIL BBB/Stable
2	Long term loan	41	CRISIL BBB/Stable
3	Pledge Loan	35	CRISIL A3+

Kindly take the same on record.

Thanking you,

Yours faithfully,
For Kovilpatti Lakshmi Roller Flour Mills Limited

S. Piramuthu
Company Secretary

Encl: As above

Ratings

CONFIDENTIAL

CRISIL
An S&P Global Company

RL/GDS9291/295934/BLR/0622/36062
June 13, 2022

Mr. J. Kanna
Chief Financial Officer
Kovilpatti Lakshmi Roller Flour Mills Limited
75/8, Benares - Cape Road Gangaikondan, Tirunelveli District Tamil Nadu
Tirunelveli - 627352
9500556221

Dear Mr. J. Kanna,

Re: Assignment of CRISIL Ratings to the bank facilities of Kovilpatti Lakshmi Roller Flour Mills Limited

All ratings assigned by CRISIL Ratings are kept under continuous surveillance and review.

Please find in the table below the ratings outstanding for the debt instruments/facilities of the company, and the rating actions by CRISIL Ratings on the ratings as on date.

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

(Bank-wise details as per Annexure 1)

As per our Rating Agreement, CRISIL Ratings would disseminate the ratings, along with the outlook, through its publications and other media, and keep the ratings, along with the outlook, under surveillance over the life of the instrument/facility. CRISIL Ratings reserves the right to withdraw, or revise the ratings, along with the outlook, at any time, on the basis of new information, or unavailability of information, or other circumstances which CRISIL Ratings believes may have an impact on the ratings. Please visit www.crisilratings.com and search with the name of the rated entity to access the latest rating/s.

In the event of the company not availing the proposed facilities within a period of 180 days from the date of this letter, a fresh letter of revalidation from CRISIL Ratings will be necessary.

This letter will remain valid till June 14, 2023. After this date, please insist for a new rating letter (dated later than June 14, 2023). Please visit www.crisilratings.com to confirm that the rating continues to be under surveillance and the rating is still valid.

Should you require any clarification, please feel free to get in touch with us.

With warm regards,

Yours sincerely,

Jayashree Nandakumar
Associate Director - CRISIL Ratings

Nivedita Shibu
Associate Director - CRISIL Ratings

Disclaimer: *A rating by CRISIL Ratings reflects CRISIL Ratings' current opinion on the likelihood of timely payment of the obligations under the rated instrument, and does not constitute an audit of the rated entity by CRISIL Ratings. Our ratings are based on information provided by the issuer or obtained by CRISIL Ratings from sources it considers reliable. CRISIL Ratings does not guarantee the completeness or accuracy of the information on which the rating is based. A rating by CRISIL Ratings is not a recommendation to buy / sell or hold the rated instrument; it does not comment on the market price or suitability for a particular investor. CRISIL Ratings has a practice of keeping all its ratings under surveillance and ratings are revised as and when circumstances so warrant. CRISIL Ratings is not responsible for any errors and especially states that it has no financial liability whatsoever to the subscribers / users / transmitters / distributors of its ratings. CRISIL Ratings' criteria are available without charge to the public on the web site, www.crisilratings.com. CRISIL Ratings or its associates may have other commercial transactions with the company/entity. For the latest rating information on any instrument of any company rated by CRISIL Ratings, please visit www.crisilratings.com or contact Customer Service Helpdesk at CRISILratingdesk@crisil.com or at 1800-267-1301*

Annexure 1 - Bank-wise details of various facility classes (outstanding facilities)

S.No.	Bank Facility	Bank	Amount (Rs. in Crore)	Outstanding Rating
1	Cash Credit / Overdraft facility	HDFC Bank Limited	15	CRISIL BBB/Stable
2	Long Term Loan	HDFC Bank Limited	41	CRISIL BBB/Stable
3	Pledge Loan	RBL Bank Limited	15	CRISIL A3+
4	Pledge Loan	HDFC Bank Limited	20	CRISIL A3+
	Total		**91**	

Disclaimer: *A rating by CRISIL Ratings reflects CRISIL Ratings' current opinion on the likelihood of timely payment of the obligations under the rated instrument, and does not constitute an audit of the rated entity by CRISIL Ratings. Our ratings are based on information provided by the issuer or obtained by CRISIL Ratings from sources it considers reliable. CRISIL Ratings does not guarantee the completeness or accuracy of the information on which the rating is based. A rating by CRISIL Ratings is not a recommendation to buy / sell or hold the rated instrument; it does not comment on the market price or suitability for a particular investor. CRISIL Ratings has a practice of keeping all its ratings under surveillance and ratings are revised as and when circumstances so warrant. CRISIL Ratings is not responsible for any errors and especially states that it has no financial liability whatsoever to the subscribers / users / transmitters / distributors of its ratings. CRISIL Ratings' criteria are available without charge to the public on the web site, www.crisilratings.com. CRISIL Ratings or its associates may have other commercial transactions with the company/entity. For the latest rating information on any instrument of any company rated by CRISIL Ratings, please visit www.crisilratings.com or contact Customer Service Helpdesk at CRISILratingdesk@crisil.com or at 1800-267-1301*

Rating Rationale

June 10, 2022 | Mumbai

Kovilpatti Lakshmi Roller Flour Mills Limited

'CRISIL BBB/Stable/CRISIL A3+' assigned to Bank Debt

Rating Action

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

1 crore = 10 million
Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

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

The ratings 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. 2.35 crore, as on March 2022, 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 an 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 were at 99-86 days over the three fiscals ended March 31, 2021. Its moderate working capital management is reflected in its gross current assets (GCA) of 99 days as on March 31, 2021, as against over 170 days GCAs of some of its peers. It is required to extend long credit period in line with the industry standards. As, the customers are small and medium size player who require credit. Furthermore, to meet its business requirement, 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 1x in March. 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 3.16 times and 0.31 times for fiscal 2021. KLRFML's debt protection measures are expected to remain at similar level over medium term.

Weaknesses:

- **Susceptibility to climatic conditions:** The crop yield of agricultural commodities is dependent on adequate and favorable climatic condition. 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 of 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

Average month-end bank limit utilization has been low at around 50 percent for the past twelve months ending March 2022. Expected cash accruals of over Rs. 10 crore in FY2023 and FY2024 are sufficient against term debt obligation of Rs. 4 crore and Rs. 5 crore over the same period. Current ratio is healthy at 1.59 times on March 31, 2021. The promoters are likely to extend support in the form of unsecured loans to meet its working capital requirements and repayment obligations, should the need arise. Low gearing and moderate net worth support its financial flexibility, and provides the financial cushion available in case of any adverse conditions or downturn in the business

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 factors

- Sustained improvement in scale of operation to over Rs. 315 crore and sustenance of operating margins at over 8%, leading to higher cash accruals
- Improvement in financial risk profile

Downward factors

- Decline in scale of operations leading to leading to net cash accruals lower than Rs. 8 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: engineering division and foods division. Foods division offers maida, sooji, atta and wheat products under Kuthuvilakku, Kera and Alamaram brands. The engineering division producing 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		2021	2020
Operating income	Rs crore	223.92	229.96
Reported profit after tax	Rs crore	4.25	4.30
PAT margins	%	2.01	1.85
Adjusted Debt/Adjusted Net worth	Times	0.61	0.75
Interest coverage	Times	3.00	1.99

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. The CRISIL Ratings' complexity levels are available on www.crisil.com/complexity-levels. Users are advised to refer to the CRISIL Ratings' complexity levels for instruments that they consider for investment. 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.Cr)	Complexity Levels	Rating assigned with outlook
NA	Cash Credit / Overdraft facility	NA	NA	NA	15	NA	CRISIL BBB/Stable
NA	Long Term Loan	NA	NA	Sept-28	41	NA	CRISIL BBB/Stable
NA	Pledge Loan	NA	NA	NA	20	NA	CRISIL A3+
NA	Pledge Loan	NA	NA	NA	15	NA	CRISIL A3+

Annexure - Rating History for last 3 Years

	Current			2022 (History)		2021		2020		2019		Start of 2019
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/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	20	HDFC Bank Limited	CRISIL A3+
Pledge Loan	15	RBL Bank Limited	CRISIL A3+

This Annexure has been updated on 10-Jun-22 in line with the lender-wise facility details as on 10-Jun-22 received from the rated entity.

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 manufaturing and service sector companies
Mapping global scale ratings onto CRISIL scale
Understanding CRISILs Ratings and Rating Scales
CRISILs Criteria for rating short term debt

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About CRISIL Limited

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