

Harrin Poultry Farm

February 08, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	9.32	CARE D; ISSUER NOT COOPERATING* (Single D ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Total Bank Facilities	9.32 (Rs. Nine Crore and Thirty-Two Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Harrin Poultry Farm (HPF) to monitor the rating vide e-mail communications dated October 05, 2021, December 14, 2021, January 07, 2022, & January 20, 2022 and numerous phone calls. However, despite our repeated requests, the firm has not provided the requisite information for monitoring the rating. In the absence of minimum information required for the purpose of rating, CARE is unable to express opinion on the rating. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of best available information which however, in CARE's opinion is not sufficient to arrive at fair rating. The rating on HPF facilities will now be denoted as 'CARE D ISSUER NOT COOPERATING*'

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The rating takes into account the non-availability of requisite information due to non-cooperation by HPF with CARE's efforts to undertake a review of the outstanding ratings as CARE views information availability risk as key factor in its assessment of credit risk profile.

Detailed description of the key rating drivers

At the time of last rating on February 25, 2021 the following were the rating strengths and weaknesses.

Key Rating Weaknesses

Delays in servicing debt obligations

The firm was unable to generate sufficient cash flows leading to strained liquidity position resulted in delays in meeting its debt obligations.

Decline in total operating income

The firm has reported decline in total operating income (HPF & HF) by 11% to Rs. 85.42 crore in FY20 as against Rs. 96.17 crore in FY19 i.e. in Harrin Poultry Farm the TOI has increased by 40% to Rs. 23.24 crore in FY20 as against Rs. 16.61 crore in FY19 on account of increase layer bird batches which increased in production of eggs coupled with increase in market price of egg during the period whereas in Harrin Feeds, the total revenue has dropped by 22% to Rs. 62.18 crore in FY20 as against Rs. 79.55 crore in FY19 due to decrease in order inflow from the existing customers. The firm has recorded revenue of Rs. 83.25 crore (i.e. Rs. 17.10 crore of HPF and Rs. 66.15 crore of HF) in ten months of FY21(Prov.).

Leveraged capital structure and weak debt coverage indicators

The cumulative debt levels of the firm stood at Rs. 17.67 crore in FY20 inclusive of term loan of Rs. 9.73 crore and cash credit of Rs. 4.00 crore pertains to Harrin Poultry Farm and remaining amount of Rs. 3.94 crore pertains to Harrin Feeds.

Increase in debt quantum backed by additional borrowings of working capital limit coupled with vehicle loans for the purpose of purchase of vehicle to transport eggs and feeds has resulted in deterioration of overall gearing which continues to remain leveraged at 2.79x as on March 31, 2020 as compared to 2.01x as on March 31, 2019 respectively.

The cumulative interest and finance charges of the firm stood at Rs. 1.54 crore in FY20 i.e. Rs. 1.24 crore pertains to HPF and remaining pertains to Harrin Feeds.

With increase in debt levels backed by additional borrowings of vehicle loans coupled with increase in working capital limits utilization as against decrease in cash accruals, has resulted in deterioration of TD/GCA to 12.70x in FY20 as against 8.31x in FY19 respectively. On the other hand, the PBILDT interest coverage also deteriorated to 1.92x in FY20 from 2.16x in FY19 on account of increase in interest and finance charges however the same stood satisfactory. On account of aforementioned facts, the debt coverage indicators stood weak during the review period as compared to previous year.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Competition from more established integrated players in the poultry industry

Indian poultry industry is largely unorganized with very few integrated players having presence across the value chain. The economics of the commercial poultry farming business is largely dependent on the realizations of eggs, broilers and the cost of feed. The prices of large integrated poultry players act as a yardstick for small poultry players.

Inherent risk in poultry in terms of disease outbreaks

The margins are susceptible to the volatility associated with the realizations of eggs and inherent risk of disease outbreak associated with the poultry industry which can lead to demand collapse. Commercial poultry operations especially in the broiler segment tend to be highly volatile, given the low level of capital investment required in the business and the fragmented nature of the industry. Changes in the prices of live birds, table eggs and feed costs have a strong impact on the profitability and cash flows of the companies operating in poultry industry. Further there are large variations in the production and consumption of poultry meat and egg in India across various states. The consumption is affected by various factors including taste preferences, religious practices, per capital income, urbanization, etc.

Key Rating Strengths**Experience of proprietor in the similar line of business**

The firm is managed by Mr. Senthil Kumar, who has around two decades of experience in the similar line of business and overall administration activities are supported by a team of supervisors.

Improved PBILDT margin in FY20

The PBILDT margin (HPF & HF) of the firm has raised by 44bps to 3.46% in FY20 as against 3.02% in FY19 owing to decrease in cost of raw materials followed by employee costs, power and fuel costs. Further, during FY20 the PAT margin of the firm (HPF & HF) remained thin and stable at 0.13% in line with previous fiscal. This is mainly due to increase in PBILDT in absolute terms.

Stretched Liquidity

Liquidity is stretched marked by tightly matched accruals of Rs. 1.39 crore in FY20 to repay its term debt of Rs. 11.91 crore as on March 31, 2020 and the cash and bank balance of the firm (HPF & HF) stood low at Rs. 0.03 crore as on balance sheet date. The current and quick ratio stood at 1.25x and 0.63x respectively in FY20. As per RBI announcements, the firm has not availed COVID-19 moratorium for its bank facility. Since the firm is engaged in perishable industry, the eggs are to be sold on day to day basis. The firm's operating cycle stretched however stood satisfactory at 22 days in FY20 as compared to 6 days in FY19. This elongation is mainly due to stretched inventory period at 25 days in FY20 (PY:13 days) and the firm stocks eggs for 7 days and medicines, feeds and raw materials upto 30 days as per the demand from customers. The firm allows credit period upto 20-30 days to its customers while it avails credit period upto 25-35 days from its suppliers.

Analytical approach: Combined.

For the purpose of analysis, CARE has combined the financials of Harrin Poultry Farm (HPF) and Harrin Feeds (HF); proprietary concern. The firm engaged in similar line of business, have common proprietor along with having significant operational linkages.

Applicable Criteria

[Policy on default recognition](#)

[Consolidation](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Policy On Curing Period](#)

[Manufacturing Companies](#)

[Policy in respect of Non-cooperation by issuer](#)

About the Firm

Harrin Poultry Farm (HPF) is promoted by Mr. Senthil Kumar as a Proprietorship firm. HPF is engaged in poultry farming for the production of eggs. HPF's chick shed construction was completed in March 2017 after which the first batch of 50,000 birds were purchased and housed in the chick shed for 10 weeks (chicks up to 10 weeks), grower shed for another 10 weeks (chicks upto 20 weeks old chicks) after which they were ready for laying eggs (chicks above 20 weeks upto 80 weeks). After 80 weeks, the birds are sent for culling. The birds are purchased through brokers in Namakal, Tamil Nadu and then sold to wholesalers. HPF supplies 90% of egg to the associate concern namely; Harrin Feeds and remaining 10% are supplied to their customers located at Tamil Nadu and Kerala through brokerage. The poultry farm is located at Kattuputtur, Namakal, Tamil Nadu. HPF procures feeds (100%) from Harrin Feeds (HF), for which eggs are transferred as consideration. Harrin feeds engaged in manufacturing of feeds by using raw materials such as maize, broken rice, soya cake, groundnut cake, etc. The manufacturing unit is located at Kathapally, Namakkal, Tamil Nadu.

Brief Financials (Rs. crore)	31-03-2019 (A)	31-03-2020 (A)	31-03-2021	H1FY22
Total operating income	96.17	85.42	NA	NA
PBILDT	2.91	2.96	NA	NA
PAT	0.12	0.11	NA	NA
Overall gearing (times)	2.01	2.79	NA	NA
Interest coverage (times)	2.16	1.92	NA	NA

*A-Audited ; NA – Not Available

Status of non-cooperation with previous CRA: Nil

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this firm: Annexure 4

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	Feb 2027	9.32	CARE D; ISSUER NOT COOPERATING*

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 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Term Loan	*LT	9.32	CARE D; ISSUER NOT COOPERATING*	-	1)CARE D (25-Feb-21)	1)CARE BB-; Stable (02-Dec-19)	1)CARE B+; Stable (03-Sep-18)

* Long Term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities : NA

Annexure 4: Complexity level of various instruments rated for this firm

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Term Loan	Simple

Annexure 5: Bank Lender Details for this Firm

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instrument: CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About CARE Ratings Limited:

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