

Manchal Agro And Poultry Farms Private Limited

October 11, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	-	-	Rating continues to remain under ISSUER NOT COOPERATING category and Revised to CARE C; Stable; ISSUER NOT COOPERATING* (Single C; Outlook: Stable) from CARE B-; Stable; ISSUER NOT COOPERATING* (Single B Minus; Outlook: Stable) and Withdrawn
Total Bank Facilities	0.00 (Rs. Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale and Key Rating Drivers:

CARE has revised and withdrawn the outstanding ratings of 'CARE C; Stable Issuer; Non-Cooperation [Single C; Outlook: Stable]' assigned to the bank facilities of Manchal Agro and Poultry Farms Private Limited (MAPFL) with immediate effect. The above action has been taken at the request of MAPFL stating they have not availed the proposed facility and 'No Objection Certificate' received from the bank(s) that have extended the facilities rated by CARE.

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 has been revised on account of non-cooperation by Manchal Agro And Poultry Farms Private Limited, with CARE's efforts to undertake a review of the ratings outstanding. CARE views information availability risk as a key factor in its assessment of credit risk along with non-availability updated information on impact of covid-19 on the operations and updated financials for FY21.

Detailed description of the key rating drivers

Further, at the time of last rating on September 20, 2021, the following were the rating weaknesses and strengths, and the rationale is updated based on information available in MCA.

Key Rating Weaknesses

Small scale of operations

The TOI company remained small at Rs.36.63 crore in FY20 and net worth stood at Rs.12.88 crore as on March 31, 2020.

Leveraged capital structure and weak debt coverage indicators

The capital structure marked by the overall gearing ratio improved and stood at 3.87x as on March 31, 2020 due to decrease in the total debt levels along with increase in net worth.

The debt coverage indicators of the company remained weak marked by Total debt/ GCA However, Total Debt/ GCA improved and stood at 7.58x in FY20. The interest coverage of the company improved and stood at 2.36x in FY20.

Working capital intensive nature of operations

The operating cycle days of the company deteriorated and stood at 58 days in FY20.

Highly fragmented industry with intense competition from large number of players

MAPFPL faces stiff competition in the poultry business from large number of established and unorganized players in the market. Competition gets strong with the presence of unorganized players leading to pricing pressures. However, improved demand scenario of poultry products in the country enables well for the entity.

Profitability margins are vulnerable to volatility in raw material prices

Maize is relatively a small scale crop in India and being a rain-fed crop, any monsoon failure will affect its harvest. The Poultry industry consumes more than 50% of the domestic maize production and its demand is expected to exceed the overall supply in the future. As the poultry industry is virtually a buyers' market, any sharp increase in raw material prices may not be fully passed on to the consumers thereby affecting the profit margin of the company.

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

Key Rating Strengths

Established track record and experience of the proprietor more than two decades in Poultry business

MAPFPL was incorporated on February 25, 2011 by the Reddy family. The company is promoted by Mr. Chandra Sekhar Reddy and his wife Mrs. Shalini Reddy, who have more than two decades of experience in the poultry business. Due to long term presence in the market, the promoters have established good relations with suppliers and customers resulting into established customer base which helps in securing regular orders from existing customers.

increased total operating income

The TOI of the company increased and stood at Rs. 36.63 crore in FY20

Improved profitability margin albeit thin PAT Margin

The profitability margins marked by the PBILDT margin has declined and stood at 8.57% in FY20. Further, PAT margin has also declined and thin to 0.04% in FY20. The Company has availed interest deferment on Cash Credit and moratorium on term loan from March 2020 to August 2020

Stable demand outlook of poultry products

Poultry products like eggs have large consumption across the country in the form of bakery products, cakes, biscuits and different types of food dishes in home and restaurants. The demand has been driven by the rapidly changing food habits of the average Indian consumer, dictated by the lifestyle changes in the urban and semi-urban regions of the country. The demands for poultry products are sustainable and accordingly, the kind of industry is relatively insulated from the economic cycle.

Liquidity: The current ratio of the company has stood at 1.93x as on March 31, 2020, while the company had cash and bank balance to the tune of Rs.0.02 crore as on March 31, 2020. The average unutilized portion of the working capital facility stood at ~10% for the last twelve months ended August 31, 2021. The company has availed interest deferment on Cash Credit and moratorium on term loan from March 2020 to August 2020

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)
[Policy on default recognition](#)
[Financial Ratios – Non financial Sector](#)
[Rating Outlook and Credit Watch](#)
[Manufacturing Companies](#)
[Policy on Withdrawal of Ratings](#)
[Liquidity Analysis of Non-financial Sector Entities](#)

About the company

Manchal Agro and Poultry Farms Private Limited (MAPFPL) was incorporated on February 25, 2011 by Mr. Reddy & family. The firm is engaged in farming of egg, laying poultry birds (chickens) and trading of eggs and cull birds. The firm sells its total products like eggs and cull birds to customers in and around Hyderabad, Telangana. The firm mainly buys most of the chicks from Venkateshwara Hatcheries.

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	23.21	36.63
PBILDT	2.15	3.14
PAT	0.03	0.02
Overall gearing (times)	14.11	3.87
Interest coverage (times)	1.86	2.36

A: Audited;

Status of non-cooperation with previous CRA: NA

Any other information: Not applicable

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

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		-	-	-	0.00	Withdrawn
Fund-based - LT-Cash Credit		-	-	-	0.00	Withdrawn

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	-	-	1)CARE B-; Stable; ISSUER NOT COOPERATING * (20-Sep-21)	1)CARE B-; Stable; ISSUER NOT COOPERATING * (11-Sep-20)	1)CARE B; Stable; ISSUER NOT COOPERATING * (11-Jun-19)	1)CARE B+; Stable (12-Sep-18)
2	Fund-based - LT-Cash Credit	LT	-	-	1)CARE B-; Stable; ISSUER NOT COOPERATING * (20-Sep-21)	1)CARE B-; Stable; ISSUER NOT COOPERATING * (11-Sep-20)	1)CARE B; Stable; ISSUER NOT COOPERATING * (11-Jun-19)	1)CARE B+; Stable (12-Sep-18)

Annexure 3: Complexity level of various instruments rated for this company

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

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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