

## Kumaran Poultry Farm

May 30, 2024

Facilities/Instruments	Amount (₹ crore)	Rating	Rating Action
Long Term Bank Facilities	29.75 (Enhanced from 6.50)	CARE BB-; Stable	Rating removed from ISSUER NOT COOPERATING category and Revised from CARE B-; Stable;

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) had previously rated bank facilities of Kumaran Poultry Farm (KPF) as 'ISSUER NOT COOPERATING'. KPF has now cooperated by providing the necessary information for undertaking the review.

The rating assigned to the bank facilities of KPF is constrained by small scale of operations, moderate capital structure on account of debt funded capex, low profitability margins. The rating assigned also factors in inherent risk of withdrawal of capital associated with the proprietorship nature of constitution and vulnerability of the poultry industry's performance to outbreaks of flu and other diseases and raw material price volatility. However, the ratings derive strength from consistent improvement in scale of operations, and long-standing experience of promoters in poultry farming business.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Increase in scale of operations more than ₹ 100 crores, with PBILDT margin of more than 4%.
- Improvement in debt protection metrics with Total debt/GCA below 6.00x on sustained basis.

#### Negative factors

- Decline in scale of operations less than ₹ 35 crores.
- Any additional debt funded capex or withdrawal of leading to deterioration in overall gearing above 4.00x on sustained basis.

### Analytical approach: Standalone

#### Outlook: Stable

CARE Ratings believes that the operations of the firm will continue to remain stable in the medium term aided by the extensive experience of the proprietor in the poultry industry and long-standing relationship with customers.

### Detailed description of the key rating drivers:

#### Key weaknesses

##### Small, yet improving scale of operations:

The scale of operations of KPF remained small however had improved to ₹ 58.34 crore in FY24 from ₹ 36.90 crore in FY20, at the CAGR of 9.59%. The major revenue of the firm is through sale of eggs which constitutes from 94% to 98% in last three years ended FY24, with sale of culled birds and manure constituting the rest. The scale of operations, however, is expected to improve going forward aided by contribution from increased capacity of layers from the Q2FY25 onwards.

##### Moderate capital structure and debt coverage metrics:

The net worth of the firm stood small at ₹ 7.54 crore as on March 31, 2024. During FY22, the firm had undertaken a capex for establishing additional poultry layer unit with capacity of 3 lakh birds under 1+1+6 system of rearing. The cost of the project is ₹ 26.25 crore funded by ₹ 16.25 crore of term loan and rest by accruals and promoter funds. The project is expected to be completed by the end of May 2024. This increase in debt levels over the past two years led to moderation in capital structure with overall gearing of 2.71x as on March 31, 2024. The debt protection metrics also stood moderate with Total debt/GCA of 10.55x as on March 31, 2024.

##### Proprietorship nature of constitution with inherent risk of withdrawal of capital:

Constitution as a proprietorship has the inherent risk and possibility of withdrawal of capital at a time of personal contingency which can adversely affect the capital structure of the firm. However, the proprietor has infused capital of ₹ 2.09 crore over the past 4 years ended FY24 adding on to the net worth of the firm.

### Profitability margins susceptible to volatility in raw material prices:

The poultry industry is majorly dependent on maize and soyabean as the feed for the layers, and any fluctuations in the supply and price of both crops can impact poultry businesses, making a balanced supply essential for sustained growth and, any sharp increase in raw material prices may not be fully passed on to the consumers thereby affecting the profit margin of the company. The operating margins of the firm are highly dependent on the price movement of these raw materials and the PBILDT margin of the firm has been volatile in the range of 0.02% to 4.43% over the past four years ended FY24.

### Vulnerability of the industry's performance to outbreaks of flu and other diseases:

Bird flu epidemics since 2006 have adversely influenced Indian exports, leading to a substantial decrease in demand and chicken prices, which subsequently impacts the income and profit margins of poultry firms. These avian flu outbreaks lead to a drastic fall in demand followed by crash in poultry prices. Such a scenario could pressurize the firm's revenue flows as well as profitability. Any ban on the export of poultry products can further strain the prospects of poultry companies. Further, this industry is affected by seasonal demand and prices are decided by the National egg coordination committee which leads to volatility in egg prices.

### Key strengths

#### Extensive experience of the proprietor in the industry:

KPF was established in the year 1979 and promoted by Mr. K. Subramaniam. Mr. K. Subramaniam has more than four decades of experience in poultry business and due to the long-term presence of the proprietor in the industry, KPF has established and managed healthy relationship with its suppliers and customers. The day-to-day operations of the firm are managed Dr. S. Senthil, son of K. Subramaniam, who is also a veterinary doctor by profession.

#### Liquidity: Stretched

The liquidity position of KPF remains stretched with tightly matched accruals against term loan repayments. The firm maintains cash and cash balance of ₹ 1.99 crore as on March 31, 2024, against ₹ 1.93 crore as on March 31, 2023. The firm pays their suppliers majorly with cash on delivery of raw materials and chicks, and it also avails a credit period of 7 to 30 days depending upon the situation and demands cash on delivery of eggs to their customers, with few long-standing customers provided with a credit period of up to 30 days for the payment. The firm has been sanctioned with ₹ 7.00 crore cash credit and the average utilisation level stood moderate at 85% for the past 12 months ended April 30, 2024.

**Assumptions/Covenants:** Not applicable

**Environment, social, and governance (ESG) risks:** Not applicable

### Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

### About the company and industry

#### Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Food Products	Meat Products including Poultry

Kumaran Poultry Farm was established in the year 1979 and promoted by Mr. K. Subramaniam (Proprietor). The firm is engaged in farming and trading of eggs, cull birds and their manure. The firm sells its products like eggs and cull birds in Kerala, Tamil Nadu, and Karnataka to retailers through own sales personnel as well as wholesale dealers. The firm currently has 6.30 lakh layers in 3 commercial layer units in Namakkal.

Brief Financials (₹ crore)	31-03-2022 (A)	31-03-2023 (A)	31-03-2024 (P)
Total operating income	50.44	47.90	58.34
PBILDT	1.34	0.95	2.59
PAT	0.51	0.21	0.22
Overall gearing (times)	2.44	2.33	2.71
Interest coverage (times)	0.02	1.67	3.98

A: Audited P: Provisional; Note: 'the above results are latest financial results available'

**Status of non-cooperation with previous CRA:**

Brickwork Ratings has conducted the review on the basis of best available information and has classified KPF as “non-cooperative” vide its press release dated April 30, 2024. The reason provided by Brickwork Ratings is the non-furnishing of information for monitoring of rating.

**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:** Annexure-4

**Lender details:** Annexure-5

**Annexure-1: Details of instruments/facilities**

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	13.00	CARE BB-; Stable
Fund-based - LT-Term Loan		-	-	October 2031	16.75	CARE BB-; Stable

**Annexure-2: Rating history for the last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash Credit	LT	13.00	CARE BB-; Stable	-	1)CARE B-; Stable; ISSUER NOT COOPERATING * (29-Sep-23)	1)CARE B-; Stable; ISSUER NOT COOPERATING * (19-Sep-22)	1)CARE B-; Stable; ISSUER NOT COOPERATING * (12-Aug-21)
2	Fund-based - LT-Term Loan	LT	16.75	CARE BB-; Stable	-	1)CARE B-; Stable; ISSUER NOT COOPERATING * (29-Sep-23)	1)CARE B-; Stable; ISSUER NOT COOPERATING * (19-Sep-22)	1)CARE B-; Stable; ISSUER NOT COOPERATING * (12-Aug-21)

\*Issuer did not cooperate; based on best available information.

LT: Long Term

**Annexure-3: Detailed explanation of covenants of the rated instruments/facilities – Not applicable**

**Annexure-4: Complexity level of the various instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple

## Annexure-5: Lender details

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

**Note on the complexity levels of the rated instruments:** CARE Ratings 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](mailto:care@careedge.in) for any clarifications.

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### About us:

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