K.R.R.Poultry Farms

October 03, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	7.50	CARE B+; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to the bank facilities of K.R.R. Poultry Farms (KPF) continues to be constrained by small scale of operations, leveraged capital structure and weak debt coverage indicators. The rating also factors in the constitution of the entity as HUF and presence in a highly fragmented and competitive business segment. The rating, however, derives comfort from long track record and vast experience of the promoter in the poultry industry and satisfactory profitability margins.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustainable total operating income of more than Rs 35 crore with sustainable PBILDT margin at 6% or above
- Improvement in overall gearing below 4.00x on a consistent basis

Negative factors

- PBILDT margin declining below 3% on a continuous basis.

Analytical approach: Standalone

Outlook: Stable

The stable outlook reflects that the firm is expected to continue benefit from vast experience of the promoters in poultry industry and established relationship the customers.

Detailed description of key rating drivers:

Key weaknesses

Small scale of operations

Despite long track record of operations, the scale of operations of the firm continued to remain small indicated by total operating income of Rs.31.86 crores in FY24 against the income of Rs.32.10 crore in FY23. Further, the firm's networth base was relatively small at Rs. 3.78 crores as on March 31, 2024. The small scale limits the financial flexibility of the firm in times of stress and deprives it of scale benefits.

Leveraged capital structure and weak debt coverage indicators

The capital structure of the firm remained leveraged, marked by overall gearing at 3.71x as on March 31, 2024 (PY: 4.42x) due to high working capital borrowings and low net worth base. Despite some improvement, the debt coverage indicators remained weak in FY24 marked by total debt to gross cash accruals (TD/GCA) at 20.57x as on March 31, 2024 (PY: 28.68x) and moderate interest coverage at 1.27x in FY24 (PY:1.34).

Highly fragmented industry with intense competition from large number of players

KPF 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. With low entry barriers in the industry, players lack pricing power and are vulnerable to competition-driven pressure on profitability. However, improved demand scenario of poultry products in the country enables well for the entity.

Constitution of the entity as HUF with inherent risk of withdrawal of capital

Constitution as a HUF has the inherent risk of possibility of withdrawal of the capital at the time of personal contingency which can adversely affect its capital structure. Furthermore, the entities have restricted access to external borrowings as credit

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

worthiness of the members would be key factors affecting credit decision for the lenders. During FY24 there has been infusion of capital to the tune of Rs. 0.16 Crore.

Key strengths

Long track record and vast experience of the promoter in the poultry industry

KPF was established in the year 2009 and promoted by Mr. T Ramesh. He is a qualified B.A, MBA graduate and has more than a decade of experience in the poultry business. Due to long term presence in the market, Mr. T Ramesh has good relations with suppliers and customers.

Satisfactory profitability margins

The PBILDT and PAT margin improved to 5.64% and 1.61% in FY24 compared to 5.57% and 1.13% in FY23. The PBILDT margin has remained stable within the satisfactory range of 5.0% to 6.0% over the past five years.

Liquidity: Stretched

KPF's liquidity position remained stretched on account of tightly matched expected accruals of Rs.0.68 crore against repayment obligations of Rs.0.36 Crore in FY25. The firm operates in a working capital-intensive industry marked by higher inventory period and almost fully utilized working capital limits. The average operating cycle of the firm continued to be elongated at 160 days in FY24 (PY: 160 days) due to collection period of 61 days (PY:72 days) and inventory days of 136 days (PY: 129 days). The firm maintained high level of inventory (raw material maize) to mitigate price fluctuations. Furthermore, the credit policy of the firm with its suppliers is agreed upon for up to 30 days.

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

Macroeconomic indicator	Sector	Industry	Basic industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Food Products	Animal Feed

Tamil Nadu based, K.R.R Poultry Farms (KPF) was established in the year 2009 and promoted by Mr. T Ramesh. KPF is a Hindu Undivided Family (HUF) and Mr. T Ramesh is the Kartha. The farm is located at Namakkal, Tamil Nadu with an area of 50 acres. The entity has three lakh birds engaged in farming of egg from its layers along with trading of eggs and cull birds. The firm sells its products like eggs and cull birds to retailers in Tamil Nadu and Kerala through own sales personnel and also through some dealers.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (Prov.)	5M FY2025 (UA)
Total operating income	32.10	31.86	11.10
PBILDT	1.79	1.80	NA
PAT	0.36	0.51	NA
Overall gearing (times)	4.42	3.71	NA
Interest coverage (times)	1.34	1.27	NA

A: Audited Prov.: Provisional NA: Not available UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of 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 and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	7.50	CARE B+; Stable

Annexure-2: Rating history for 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	7.50	CARE B+; Stable	-	1)CARE B+; Stable (27-Sep-23)	1)CARE B+; Stable (23-Sep-22)	1)CARE B+; Stable (01-Nov-21)

LT: Long term

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

Annexure-4: Complexity level of instruments rated

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

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

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

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