

## Kanmani Poultry Farm

May 02, 2025

Facilities	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term bank facilities	52.00 (Enhanced from 10.15)	CARE B; Stable	Rating removed from ISSUER NOT COOPERATING category and Upgraded from CARE B-; Stable

Details of facilities in Annexure-1.

### Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings), vide its press release dated November 21, 2024, had placed the rating of Kanmani Poultry Farm (KPF) under the 'issuer non-cooperating' category as KPF had failed to provide information for monitoring of the rating as agreed to in its Rating Agreement. The firm has now cooperated for undertaking the review.

The ratings assigned to the bank facilities of KPF are constrained by moderate scale of operations, leveraged capital structure, elongated operating cycle, presence in highly competitive and fragmented industry and capital withdrawal risk associated with partnership constitution of the firm. However, the rating derives strength from experience of the promoters in the poultry business and relatively stable operating margins.

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

#### Positive factors

- Successfully complete the ongoing capacity addition and increase the scale of operations with income above Rs.100 crore.
- Improvement in net worth base above Rs.10 crore

#### Negative factors

- Decline in income below Rs.50 crore with PBILDT margin below 4%.
- Elongation of operating cycle above 90 days
- Significant delay in the execution and completion of ongoing project lead to stretch in liquidity

### Analytical approach: Standalone

#### Outlook: Stable.

The stable outlook reflects that the firm is expected to sustain the growth in income through ongoing capacity expansion and phased income generation.

### Detailed description of key rating drivers

#### Key weaknesses

##### Moderate scale of operations

The scale of operations of KPF remained moderate, albeit improved over the years with operating income of Rs.54.33 crore in FY24 (refers to the period April 01 to March 31) which increased at the CAGR of 4.58% for past four years ended FY24. The income dropped by 16.27% in FY24 due to disease outbreaks and fluctuating demand cycles. The firm has booked revenue of Rs.60.0 crore for FY25 (Prov) (refers to the period April 01 to March 31).

##### Leveraged capital structure

The capital structure of the firm stood moderate, with overall gearing of 2.0x as on March 31, 2024 as against 1.64x as on March 31, 2023 due to reliance on bank borrowings with lower networth base. During FY25, the firm has been sanctioned project term loan of Rs.37.80 crore for addition of 5,00,000 layer birds at a cost of Rs.42.60 crore and balance cost would be funded through partners capital. The project is relatively larger compared to the networth of the firm and is in nascent stage of implementation. Till date, the firm incurred Rs.2.10 crore funded by term loan of Rs.1.86 crore and rest by accruals. The repayment of project term loan starts from October 2026.

##### Elongated operating cycle

The operating cycle elongated from 23 days in FY22 to 69 days in FY24 due to higher inventory holding. The firm has a feed mill of capacity of 100 MT / day and the company is currently producing around 40 MT/ day which are mostly consumed internally. Going forward the company also plans to increase the outside sales of feed for which it had procured more feed ingredients like maize and soya during end of FY24, which led to higher inventory holding.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

### Presence in highly competitive and fragmented industry

The firm operates in a highly competitive and fragmented market which consists of large and small and large sized players. Moreover, low entry barriers in the industry further intensifies the already prevailing competition in the market. This competitive and fragmented nature of the industry can have an impact on the profit margin of the company and may lead to adopt liberal credit policies in the market.

### Capital withdrawal risk associated with partnership constitution of the firm

The partnership nature of the firm has inherent risk of withdrawal of capital by the partners at the time of their personal contingencies resulting in reduction of capital base leading to adverse effect on capital structure. The partners have withdrawn Rs.0.12 crore during FY23.

### Key strengths

#### Experience of the promoters in the poultry business

The firm consists of three partners belong to same family namely, Mr. P. Arumuga Gounder, Mr. A. Balusamy (son of Mr. P. Arumugam) and Mrs. B. Suseela (wife of Mr. A. Balusamy). The firm is presently managed by Mr. A. Balusamy (Managing Partner), is a Chemistry graduate having more than 25 years of experience in poultry business. He is a member in Tamilnadu Poultry Farmers Association and he is the Chairman for Paramathi Zone of National Egg Co-ordination Committee (NECC). Dr. A.B. Prasath (MD, Pharmacology), son of Mr. A. Balusamy is also engaged in the poultry business. However, he is not partner of the business.

### Relatively stable operating margins

The PBILDT margins stood stable in the range of 3% to 5% in the past 5 years ended FY24 and is expected to improve going forward due to efficient feed management and production processes.

### Liquidity: Stretched

The liquidity position of KPF is stretched with tightly matched accruals against repayment obligations. The firm has been sanctioned with working capital limit of Rs.13.00 crore and the average utilisation stood high at 92% for the past 12 months period ended March 2025. The free cash balance stood moderate at Rs.0.01 crore as on March 31, 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 firm and industry

#### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Food Products	Meat Products including Poultry

KPF based out of Namakkal, Tamil Nadu is specialized in poultry farming, was promoted by Mr. P. Arumugam as a proprietorship firm in 1990. The farm began with bird capacity of 12,000 layer chickens under deep litter system. In 2004, the firm transitioned into a partnership, focusing on the cultivation of egg-laying poultry birds and the trading of eggs. As on March 31, 2024, the firm had capacity of 4,20,000 layer birds.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	March 31, 2025 (UA)
Total operating income	64.89	54.33	60.00
PBILDT	2.14	2.64	NA
PAT	1.02	0.72	NA
Overall gearing (times)	1.64	2.00	NA
Interest coverage (times)	2.96	2.21	NA

A: Audited; UA: Unaudited; NA: Not Available; 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 instruments/facilities:** 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		-	-	-	14.20	CARE B; Stable
Fund-based - LT-Term Loan		-	-	August 2020	37.80	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 2025-2026	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
1	Fund-based - LT-Term Loan	LT	37.80	CARE B; Stable	-	1)CARE B-; Stable; ISSUER NOT COOPERATING * (21-Nov-24)	1)CARE B-; Stable; ISSUER NOT COOPERATING * (12-Oct-23)	1)CARE B-; Stable; ISSUER NOT COOPERATING * (13-Sep-22)
2	Fund-based - LT-Cash Credit	LT	14.20	CARE B; Stable	-	1)CARE B-; Stable; ISSUER NOT COOPERATING * (21-Nov-24)	1)CARE B-; Stable; ISSUER NOT COOPERATING * (12-Oct-23)	1)CARE B-; Stable; ISSUER NOT COOPERATING * (13-Sep-22)

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

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
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 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](mailto:care@careedge.in) for clarifications.

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### About us:

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