

Rajamanickam Poultry Farm

January 22, 2021

Rating

| Facilities/Instruments | Amount (Rs. crore) | Ratings ¹ | Rating Action |
|------------------------------|--|--|--|
| Long Term Bank Facilities | 6.00 | CARE B-; Stable; ISSUER NOT COOPERATING* (Single B Minus; Outlook: Stable ISSUER NOT COOPERATING*) | Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE B; Stable; (Single B; Outlook: Stable) |
| Total Bank Facilities | 6.00 (Rs. Six Crore Only) | | |

Details of instruments/facilities in Annexure

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated February 24, 2020 placed the rating(s) of Rajamanickam Poultry Farm (RPF) under the 'issuer non-cooperating' category as RPF had failed to provide information for monitoring of the rating. RPF continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and email dated January 13, 2021. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

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

The rating has been revised by taking into account of non-availability of requisite information due to non-cooperation by RPF with CARE's efforts to undertake a review of the outstanding rating as CARE views information availability risk as a key factor in its assessment of credit risk.

Detailed description of the key rating drivers

At the time of last rating on February 24, 2020 the following were the rating strengths and weaknesses:

Key Rating weaknesses

Small Scale of operations and declining PBILDT margin and thin PAT margin during review period

The scale of operations of the entity is small marked by Total operating income (TOI) which stood at Rs. 21.72 crore in FY18 with low networth of Rs.3.57 crore.

The PBILDT margin of the firm has declining during the review period. The PBILDT margin decreased from 0.90% in FY16 to 0.50% in FY18 due to increase in selling expenditure and employees cost. The PAT margin of the firm is fluctuating in the range of 0.04% to 0.07% in FY16 to FY18 due to fluctuating in PBILDT absolute terms

Moderate capital structure and weak debt coverage indicators during review period

RPF Farms has moderate capital structure in FY18. The debt equity ratio of the firm remained below unity for the last three balance sheet date ended March 31, 2018 due to absence of long term loans. The overall gearing ratio stood at 1.45x as on March 31, 2018, due to availment of working capital bank borrowing and unsecured loans.

The entity has weak debt coverage indicators in FY18. In FY18 total debt/GCA stood at 60.07x due to increase in total debt at the back of availment of working capital bank borrowings. The PBILDT interest coverage ratio deteriorated from 21.35x in FY16 to 5.75x in FY18 due to increase in interest cost at the back of availment of working capital bank borrowings and low gross cash accruals.

Total debt/Cash flow from operations stood at -0.80x as on March 31, 2018 due to negative in cash flow from operating activities at the back of increase in inventory.

Working capital intensive nature of operations

The operating cycle of the entity is comfortable during review period and remained at 55 days in FY18 against 2 days in FY17 due to increase in inventory period to 66 days in FY18. Operating cycle of the entity continues to remain comfortable due to its nature of business operations where in the firm is required to keep high inventory level of parent bird and raw material stock to feed the birds in different growing stages and to mitigate fluctuation in raw material prices. RPF operates on cash & carry model. In respect of few customers it extends one week credit period. RPF makes payment to suppliers of chicks in 15-20 days. Further the firm is purchasing feed from its associate entity (Guna Poultry Feeds). The average utilization of working capital facility is 90% during past twelve months ended with November 30, 2018.

Constitution of the entity as a partnership firm with inherent risk of withdrawal of capital

Constitution as a partnership firm has the inherent risk of possibility of withdrawal of the partner's capital at the time of personal contingency which can affect its capital structure. Further, partnership concern has restricted access to external

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

*Issuer did not cooperate; Based on best available information

borrowing which limits their growth opportunities to some extent. The partners infused the capital of Rs. 0.08 crore in FY17 and infusion of the capital of Rs. 1.99 crore in FY18

Highly fragmented industry with intense competition from large number of players

RPF 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 company.

Key Rating Strengths

Long track record and experience of the partners for more than two decade in poultry business

Rajamanickam Poultry Farm (RPF) was established in the year 2002 and has been in the poultry business for more than two decades. The firm is managed by Mr. Rajamanickam along with his family members. The partners have more than two decade of experience in poultry business prior to which he worked in same line of business under his father's firm (M/s Palaniappa Poultry farm). Due to long term presence in the market, the firm has good relation with customer and supplier.

Growth in total operating income during review period

The total operating income of the firm grew by a CAGR of 36.02% from Rs 11.74 crore in FY16 to Rs 21.72 crore in FY18 aided by the increased sales in eggs and cull birds. During 8MFY19, the firm achieved total sales of Rs 14 crore.

Analytical Approach: Standalone

Applicable criteria

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

[Criteria on assigning Outlook and credit watch to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

[Financial ratios – Non-Financial Sector](#)

[Rating Methodology - Manufacturing Companies](#)

About the Firm

Rajamanickam Poultry Farm (RPF) was established in the year 2002 by Mr. Rajamanickam Gurram along with his family members. The partners has more than two decade of experience in poultry business. The firm is engaged in farming of egg, laying poultry birds (chickens) and trading of eggs, cull birds and their Manure. The firm mainly buys chicks from Venky's India Limited. The firm purchases raw materials for feeding of birds like rice brokens, maize, sun flower oil cake, shell grit, minerals and soya from its associate concerns (Guna Poultry Feeds). The firm sells all its products like eggs and cull birds to local traders. The firm has installed capacity of 3,00,000 number of birds.

| Brief Financials (Rs. crore) | FY17 (A) | FY18 (A) |
|------------------------------|----------|----------|
| Total operating income | 18.04 | 21.72 |
| PBILDT | 0.09 | 0.11 |
| PAT | 0.01 | 0.01 |
| Overall gearing (times) | 0.00 | 1.45 |
| Interest coverage (times) | 235.30 | 5.75 |

A-Audited;

Status of non-cooperation with previous CRA: Nil

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 | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. crore) | Rating assigned along with Rating Outlook |
|--|------------------|-------------|---------------|-------------------------------|---|
| Fund-based - LT-Cash Credit | - | - | - | 5.00 | CARE B-; Stable; ISSUER NOT COOPERATING* |
| Fund-based - LT-Proposed fund based limits | - | - | - | 1.00 | CARE B-; Stable; ISSUER NOT COOPERATING* |

*Issuer did not cooperate; Based on best available information

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 2020-2021 | Date(s) & Rating(s) assigned in 2019-2020 | Date(s) & Rating(s) assigned in 2018-2019 | Date(s) & Rating(s) assigned in 2017-2018 |
| 1. | Fund-based - LT-Cash Credit | LT | 5.00 | CARE B-; Stable; ISSUER NOT COOPERATING* | - | 1)CARE B; Stable; ISSUER NOT COOPERATING* (24-Feb-20) | 1)CARE B+; Stable (23-Jan-19) | - |
| 2. | Fund-based - LT-Proposed fund based limits | LT | 1.00 | CARE B-; Stable; ISSUER NOT COOPERATING* | - | 1)CARE B; Stable; ISSUER NOT COOPERATING* (24-Feb-20) | 1)CARE B+; Stable (23-Jan-19) | - |

*Issuer did not cooperate; Based on best available information

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities- Information not available**Annexure 4: Complexity level of various instruments rated for this Firm**

| Sr. No. | Name of the Instrument | Complexity Level |
|---------|--|------------------|
| 1. | Fund-based - LT-Cash Credit | Simple |
| 2. | Fund-based - LT-Proposed fund based limits | 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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