

Baljeet Poultry Farm

May 28, 2019

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating action
Long-term Bank Facilities	7.00	CARE B+; Stable (Single B plus; Outlook: Stable)	Assigned
Total Facilities	7.00 (Rupees Seven crore only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities of Baljeet Poultry Farm (BPF) is constrained by small scale of operations, low profitability margins, leveraged capital structure and working capital intensive nature of operations. The rating is further constrained by the constitution of entity being a partnership firm, inherent risk associated with poultry industry coupled with high competition from local players. The rating, however, takes comfort from experienced partners along with long track record of operations and positive demand outlook of poultry industry.

Going forward, the ability of the firm to increase its scale of operations while maintaining its profitability margins and improving its overall solvency position and the ability of the firm to efficiently manage its working capital cycle.

Detailed description of the key rating drivers

Key Rating Weaknesses

Small scale of operations and low profitability margins

Though, the total Operating Income (TOI) of the firm increased from Rs.5.04 crore in FY16 to Rs.9.83 crore in FY18 at compounded annual growth rate (CAGR) of ~39.66% on account of higher orders received from its existing as-well-as new clients. The same continues to remain small. The small scale of operations limits the firm's financial flexibility in times of stress and deprives it from scale benefits. The profitability margins stood low, however, improved marginally on a y-o-y basis marked by PBILDT and PAT margins of 4.51% and 0.37%, respectively, in FY18.

In 11MFY19 (Prov.), the firm has achieved a total operating income of ~Rs.13.70 cr with PBILDT and PAT margins of 11.00% and 5.84%, respectively.

Leveraged capital structure

The capital structure of the BPF stood leveraged marked by long-term debt to equity ratio of 1.97x (PY: 1.09x) and overall gearing ratio of 2.65x (PY: 1.69x). The same deteriorated from previous year due to additional term loans and unsecured loans availed by the firm in FY18 coupled with higher utilization of working capital limits as on last balance sheet date as compared to previous year.

Liquidity position

The operating cycle of the firm stood moderate at 50 days for FY18 (PY: 36 days). The working capital limits were fully utilized for the last 12 months period ended April, 2019. The current and quick ratios also remained at 2.07x and 0.39x, respectively (Previous Year: 1.73x and 0.23x, respectively).

The current ratio of the firm stood moderate at 2.07x, however, the quick ratio stood weak at 0.39x as on March 31, 2018. The firm had free cash and bank balance of Rs.0.09 crore as on March 31, 2018.

Partnership nature of constitution

BPF's constitution as a partnership firm has the inherent risk of possibility of withdrawal of the partners' capital at the time of personal contingency and firm being dissolved upon the death/retirement/insolvency of partners. Moreover, partnership firms have restricted access to external borrowing as credit worthiness of partners would be the key factors affecting credit decision of the lenders.

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

Key Rating Strengths

Experienced partners along with long track record of operations

BPF was established in 2005 and its day to day operations are looked after by the partners jointly. Mr. Jagtar Singh has an industry experience of more than three decades gained through his association with BPF and other regional entities engaged in similar business operations. Mr. Kulbir Singh and Mr. Baljeet Singh have industry experience of more than one decade gained through her association with BPF only. The partners have adequate acumen about various aspects of business which is likely to benefit BPF in the long run. The long track record has aided the firm in having established relationship with customers and suppliers.

Analytical approach: Standalone

Applicable Criteria

[CARE's Criteria on assigning Outlook to Credit Ratings](#)

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

[CARE's methodology for manufacturing companies](#)

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

About the Firm

Haryana-based, Baljeet poultry Farm (BPF) was established in 2005 as a partnership firm by Mr. Jagtar Singh, Mr. Kulbir Singh, Mr. Baljeet Singh. BPF is engaged in poultry business which includes broiler farming which involves growing of one day chick into egg laying birds. Subsequently the eggs laid by them are artificially incubated into chicks (incubation time is 35 days). The processing facility of the firm is divided into 3 units, each located at Assandh, Karnal, Haryana with an overall breeding capacity of 16,50,000 chicks per annum in broiler facility as on March 31, 2019.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	8.27	9.83
PBILDT	0.35	0.44
PAT	0.01	0.04
Overall gearing (times)	1.69	2.65
Interest coverage (times)	2.12	2.70

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

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-Term Loan	-	-	April, 2029	3.43	CARE B+; Stable
Fund-based - LT-Cash Credit	-	-	-	3.57	CARE B+; Stable

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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Term Loan	LT	3.43	CARE B+; Stable	-	-	-	-
2.	Fund-based - LT-Cash Credit	LT	3.57	CARE B+; Stable	-	-	-	-

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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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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