

Manchal Agro And Poultry Farms Private Limited
 September 11, 2020

Ratings

Facilities / Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	11.70	CARE B-; Stable; ISSUER NOT COOPERATING* (Single B Minus; Outlook: Stable ISSUER NOT COOPERATING*)	Issuer not cooperating; Revised from CARE B; Stable; ISSUER NOT COOPERATING* (Single B; Outlook: Stable ISSUER NOT COOPERATING*) on the basis of best available information
Total Facilities	11.70 (Rs. Eleven Crore and Seventy Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated June 11, 2019 placed the rating(s) of Manchal Agro And Poultry Farms Private Limited, MAPFPL under the 'issuer non-cooperating' category as MAPFPL had failed to provide information for monitoring of the rating. MAPFPL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and an e-mail communications dated from January 31, 2020 to September 01, 2020. 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.

Detailed description of the key rating drivers**(Updated for the information available from ROC)**

The rating has been revised by taking into account non-availability of requisite information and no due-diligence conducted due to non-cooperation by Manchal Agro And Poultry Farms Private Limited with CARE'S efforts to undertake a review of the rating outstanding. CARE views information availability risk as a key factor in its assessment of credit risk. The ratings continues to be tempered by Small scale of operations with increased total operating income during the review period, Leveraged capital structure and weak debt coverage indicators, Working capital intensive nature of operations, and presence in highly fragmented and competitive industry. The rating also factors in deterioration of capital structure, Improved profitability margin albeit thin PAT Margin.

The ratings however underpinned by Established track record and experience of the proprietor more than two decades in Poultry business and Stable demand outlook of poultry products.

Detailed description of the key rating drivers**Key Rating Weaknesses****Small scale of operations with increased total operating income during the review period**

The TOI company remained small at Rs.23.21 crore in FY19 and net worth stood at Rs.1.01 crore as on March 31,2019 The TOI of the company increased from Rs. 20.04 crore in FY18 to Rs. 23.21 crore in FY19

Leveraged capital structure and weak debt coverage indicators

The capital structure marked by the overall gearing ratio significantly deteriorated from 6.61x as on March 31, 2018 to 14.11x as on March 31, 2019 due to Increase in the total debt levels.

The debt coverage indicators of the company remained weak marked by Total debt/ GCA which is deteriorated from 12.02x in FY18 to 15.46x in FY19. The interest coverage of the company remained moderate and deteriorated to 1.86x in FY19 from 2.77x in FY18. Total debt /CFO of the company stood at negative.

Working capital intensive nature of operations

The operating cycle days of the company increased from 5 days in FY18 to 47 days in FY19.

¹Complete 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

Highly fragmented industry with intense competition from large number of players

MAPFPL 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 entity.

Profitability margins are vulnerable to volatility in raw material prices

Maize is relatively a small scale crop in India and being a rain-fed crop, any monsoon failure will affect its harvest. The Poultry industry consumes more than 50% of the domestic maize production and its demand is expected to exceed the overall supply in the future. As the poultry industry is virtually a buyers' market, any sharp increase in raw material prices may not be fully passed on to the consumers thereby affecting the profit margin of the company.

Key Rating Strengths
Established track record and experience of the proprietor more than two decades in Poultry business

MAPFPL was incorporated on February 25, 2011 by the Reddy family. The company is promoted by Mr. Chandra Sekhar Reddy and his wife Mrs. Shalini Reddy, who have more than two decades of experience in the poultry business. Due to long term presence in the market, the promoters have established good relations with suppliers and customers resulting into established customer base which helps in securing regular orders from existing customers.

Improved profitability margin albeit thin PAT Margin

The profitability margins marked by the PBILDT margin has improved from 4.71% in FY18 to 9.24% in FY19. However, PAT margin has thin and declined marginally from 0.16% in FY18 to 0.14% in FY19.

Stable demand outlook of poultry products

Poultry products like eggs have large consumption across the country in the form of bakery products, cakes, biscuits and different types of food dishes in home and restaurants. The demand has been driven by the rapidly changing food habits of the average Indian consumer, dictated by the lifestyle changes in the urban and semi-urban regions of the country. The demands for poultry products are sustainable and accordingly, the kind of industry is relatively insulated from the economic cycle.

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](#)

[Financial Ratios-Non-Financial Sector](#)

[Rating Methodology- Manufacturing Companies](#)

[CARE's Rating Methodology- Manufacturing Companies](#)

About the company

Manchal Agro and Poultry Farms Private Limited (MAPFPL) was incorporated on February 25, 2011 by Mr. Reddy & family. The firm is engaged in farming of egg, laying poultry birds (chickens) and trading of eggs and cull birds. The firm sells its total products like eggs and cull birds to customers in and around Hyderabad, Telangana. The firm mainly buys most of the chicks from Venkateshwara Hatcheries.

Brief Financials (Rs. crore)	31-03-2018	31-03-2019
	A	A
Total operating income	20.04	23.21
PBILDT	0.94	2.15
PAT	0.03	0.03
Overall gearing (times)	6.61	14.11
Interest coverage (times)	2.77	1.86

A: Audited

Status of non-cooperation with previous CRA: Nil

Any other information: Not Applicable

Rating History (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	-	-	October-2025	7.20	CARE B-; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Cash Credit	-	-	-	4.50	CARE B-; Stable; ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on based 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-Term Loan	LT	7.20	CARE B-; Stable; ISSUER NOT COOPERATING*	-	1)CARE B; Stable; ISSUER NOT COOPERATING* (11-Jun-19)	1)CARE B+; Stable (12-Sep-18)	-
2.	Fund-based - LT-Cash Credit	LT	4.50	CARE B-; Stable; ISSUER NOT COOPERATING*	-	1)CARE B; Stable; ISSUER NOT COOPERATING* (11-Jun-19)	1)CARE B+; Stable (12-Sep-18)	-

Issuer did not cooperate; based on based available information

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not Applicable**Annexure 4: Complexity level of various instruments rated for this company**

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

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