

**Rajamanickam Poultry Farm**  
 February 24, 2020

**Rating**

Facilities	Amount (Rs. Crore)	Ratings <sup>1</sup>	Rating Action
Long-term Bank Facilities	6.00	CARE B; Stable ISSUER NOT COOPERATING* (Single B; Stable ISSUER NOT COOPERATING*	Issuer not cooperating; Revised from CARE B+; Stable (Single B Plus; Outlook : Stable) On the basis of best available information
<b>Total</b>	<b>6.00</b> <b>(Rupees Six Crore only)</b>		

*Details of instruments/facilities in Annexure-1*

**Detailed Rationale & Key Rating Drivers**

CARE has been seeking information from Rajamanickam Poultry Farm to monitor the rating vide e-mail communications dated November, 2019 to January, 2020 and numerous phone calls. However, despite our repeated requests, the firm has not provided the requisite information for monitoring the rating. **In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of best available information which however, in CARE's opinion is not sufficient to arrive at fair rating.** The rating on Rajamanickam Poultry Farm's bank facilities will now be denoted as **CARE B ; Stable; ISSUER NOT COOPERATING\***

***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**

*At the time of last rating on December 21, 2018 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.

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications.

\*Issuer did not cooperate; Based on best available information

### ***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 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.

#### ***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.

#### **Liquidity Analysis:**

The current ratio of the firm is above unity during the review period and stood at 1.39x as on March 31, 2018 due to relatively high current assets as compared to current liabilities on account of on account of short term FD of loans and advances. The cash and cash equivalents of the stood at Rs. 0.70 crore as on March 31, 2018.on and average the firm has 10% of cash credit facility to meet the liquidity requirements.

#### **Analytical approach: Standalone**

#### **Applicable criteria:**

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

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

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

[Rating Methodology - Manufacturing Companies](#)

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

#### **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.

<b>Brief Financials (Rs. crore)</b>	<b>FY17 (A)</b>	<b>FY18 (A)</b>
Total operating income	18.04	21.72
PBILDIT	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:** 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-Cash Credit	-	-	-	5.00	CARE B; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE B+; Stable on the basis of best available information
Fund-based - LT-Proposed fund based limits	-	-	-	1.00	CARE B; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE B+; Stable on the basis of best available information

*\*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 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-Cash Credit	LT	5.00	CARE B; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE B+; Stable on the basis of best available information	-	1) CARE B+; Stable (23-Jan-19)	-	-
2.	Fund-based - LT-Proposed fund based limits	LT	1.00	CARE B; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE B+; Stable on the basis of best available information	-	1) CARE B+; Stable (23-Jan-19)	-	-

*\*Issuer did not cooperate; Based on best available information*

**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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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### About CARE Ratings:

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### Disclaimer

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Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

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