

Rating Rationale

AR Poultry Prop. Mr. Rudrappa A

23Mar2019

Brickwork Ratings revises the ratings for the Bank Loan Facilities of ₹. 8.75 Crores of AR Poultry Prop. Mr. Rudrappa A. (ARP Or The Firm)

Particulars

| Fund based facility | Amount (₹ Crs) | | Tenure | Rating* | |
|---------------------|----------------|-------------|---|---|--|
| | Previous | Present | | Previous (Jan, 2018) | Present |
| Cash Credit | 1.00 | 1.00 | Long Term | BWR B- (Pronounced as BWR single B minus) Outlook: Stable | BWR D (Pronounced as BWR D) (Downgraded) |
| Term Loan I | 4.57 | 4.37 | | | |
| Term Loan II | 4.00 | 3.38 | | | |
| Total | 9.57 | 8.75 | INR Eight Crores and Seventy Five Lakhs Only | | |

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Ratings: Downgraded

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon audited financial results of FY18, projections upto FY21 and publicly available information and information provided by the Firm's management.

The rating has factored, inter alia, experience of the proprietor in the poultry business, marginally improved revenues. However, the rating is constrained by delays in repayment of interest and principal of term loan, weak financial profile marked by small scale of operation with negative net profit margin and reduced operating profit margin, negative net worth, inadequate coverage indicators and weak liquidity position, and also constrained by working capital intensive nature of operations and inherent risk, volatility in raw material prices for the feed and risk of disease outbreak and intense competition from other players in the vicinity.



Going forward, the ability of the Firm to increase its revenue & profitability, overall financial profile, timely repayment of debt obligation and manage its working capital efficiently will be the key rating sensitivities.

Description of Key Rating Drivers

Credit Strengths:

- **Proprietor's Experience** : Experience of Mr. Rudrappa A is more than two decades in the poultry business.
- **Marginally improved revenues** : The revenues improved from Rs. 3.91 Crs in FY16, Rs. 6.12 Crs in FY17 to Rs. 7.29 Crs in FY18.

Credit Risks:

- **Delays in repayment of interest and principals**: As confirmed by Corporation Bank Hebbal Branch that the firm is delaying in repayment of interest and principal and mentioned in SMA 2 category.
- **Small scale of operations with negative net profit margin and reduced operating profit margin** : Revenues reported Rs. 7.29 Crs in FY18 however the net profit margin reported at negative 18.29 % and operating profit margin reduced from 22.32 %in FY17 to 15.88% percent in FY18.
- **Weak financial profile** : Weak financial profile marked by negative net worth of Rs. 5.27 crs, Inadequate coverage indicators as Interest coverage and Debt coverage indicators stood at 0.87 times and 0.71 times..in FY 18
- **Tight liquidity** : Current ratio stood at 0.54 times in FY18, and also the average utilization of cash credit facility is 100%.between 1.9.2018 and 5.3.2019
- **Inherent risk** : Constitution of the firm is a proprietorship
- **Health risk**: susceptible for outbreak of bird flu

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).



About the Firm

M/s A R Poultry is a proprietorship concern established in the year of 2014 by Mr Rudrappa A at Hobli, Mandya district Karnataka. The firm is engaged in poultry farming having 1.5 lakh chicks and its Eggs production is about 1.2 Lakh eggs per day. The firm generates about 90% of its revenue from the sale of eggs and 10% from others, viz Chicken Meat, Poultry Manure and Gunny bags. On the rooftop of Poultry shed Solar panels have been fixed to generate electricity in Dec, 2016 with installed capacity 1 mw. The firm has entered into a PPA to supply power from the entire capacity of 1-MW plant with CESC for a period of 25 years on fixed tariff basis for Rs. 9.56/kWh.

Firm's Financial Performance

As per FY18 audited financials the Firm has reported revenue of Rs. 7.29 Crs and PAT of Rs. (1.33) Crs.

Rating History for the last three years

| S.No | Facility | Current Rating (2019) | | | Rating History | | |
|------|-------------------|-----------------------|----------------|--|--|------------------|------|
| | | Type | Amount (₹ Crs) | Rating | 4.1.2018 | 2017 | 2016 |
| | Fund Based | Long Term | 8.75 | BWR D (Pronounced as BWR D) (Downgraded) | BWR B- (Pronounced as BWR Single B minus) (Outlook:Stable) | Not Rated | |
| | Total | | 8.75 | ₹ Eight Crores and Seventy Five Lakhs Only | | | |

Status of non-cooperation with previous CRA - Not to our knowledge

Any other information: Nil



Key Financial Indicators

| Key Parameters | Units | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|-------------------------------|----------|---------|---------|---------|-------------|-------------|-------------|
| Result Type | | Audited | Audited | Audited | Projections | Projections | Projections |
| Operating Revenue | ₹ in Crs | 3.91 | 6.12 | 7.29 | 8.30 | 18.13 | 18.23 |
| EBITDA | ₹ in Crs | (0.18) | 1.37 | 1.16 | 3.26 | 3.67 | 3.30 |
| PAT | ₹ in Crs | (0.98) | (2.12) | (1.33) | 1.38 | 2.16 | 1.92 |
| Tangible Net worth | ₹ in Crs | 3.87 | (3.65) | (5.27) | (4.50) | 10.73 | 12.38 |
| Total Debt/Tangible Net worth | Times | 1.34 | (3.10) | (2.17) | (2.07) | 0.76 | 0.57 |
| Current Ratio | Times | 0.99 | 0.52 | 0.54 | 0.45 | 4.17 | 4.66 |

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure Sector](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

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BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

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