



Rating Rationale

A R Poultry Prop. Mr. Rudrappa A

4th Jan 2018

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 9.57 Crores of A R Poultry Prop. Mr. Rudrappa A

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based	9.57	Long Term	BWR B- (Pronounced as BWR Single B Minus) Outlook: Stable
Total	9.57	INR Nine Crore and Fifty Seven Lakhs Only	

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

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financial statements of A R Poultry Prop. Mr. Rudrappa A up to FY17, projected financial statements of FY18 & FY19 and publicly available information and information / clarification provided by the firm's management.

The rating derives comfort from the experience of promoters. The rating is however constrained by small scale of operations, proprietorship nature of business, negative tangible net worth and high degree of competition.

Going forward, the company's ability in consistently achieving projected revenue, the ability of the management to infuse capital and manage its working capital efficiently will be the key rating sensitivities.

Description of Key Rating Drivers



Strengths:

- The experience of the promoters in the same line of business for more than 10 years.
- Location advantage and demand for product will help in long term growth.

Constraints:

- Relatively small scale of operation scale of operations. The firm faces intense competition in the industry.
- Working capital intensive nature of operations.
- Customer concentration risk: The firm generates 100% of its sales from 1 client, thereby exposing the firm to customer concentration risk.
- Vulnerability of demand to disease outbreak in poultry business and Susceptibility of its margin to fluctuation in raw material (chicks and food grain).
- Weak liquidity position of the firm of 0.52 times in FY17.
- Negative tangible net worth is as on 31st March 2017.

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).

Rating Outlook: Stable

BWR believes the **A R Poultry Prop. Mr. Rudrappa A** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

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 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 CESCO for a period of 25 years on fixed tariff basis for Rs. 9.56/kWh.



Mr Rudrappa A is having more than Two decades of experience in this line of business. The firm is managed by his sons Mr. Arun and Mr. Kiran..

Firm's Financial Performance

In FY17, total operating income and PAT of A R Poultry Prop. Mr Rudrappa A stood at Rs. 6.12 cr (v. Rs.3.91cr) and Rs. -2.12 cr (v. Rs.-0.98cr) respectively. Networth of the company stood at Rs. -3.65 cr in FY17 mainly due to expenses incurred for solar power plant installation.

Key Financial Indicators

Key Parameters	Units	FY 2016	FY 2017
Operating Revenue	₹ Cr	3.91	6.12
EBITDA	₹ Cr	-0.18	1.37
PAT	₹ Cr	-0.98	-2.12
Tangible Net worth	₹ Cr	3.87	-3.65
Total Debt/Tangible Net worth	Times	1.34	-3.10
Current Ratio	Times	0.99	0.52

Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2017)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2016	2015	2014
1	Fund Based	Long Term	9.57	BWR B- (Pronounced as BWR Single B Minus) Outlook: Stable	-	-	-
	Total		9.57	Rs. Nine Crores and Fifty Seven Lakhs Only			



Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)
- [Short Term Debt](#)

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For print and digital media

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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

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

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



in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 10,00,000 Cr. In addition, BWR has rated over 6300 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹24,440 Cr have been rated.

DISCLAIMER

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