

**Brickwork Ratings revises the ratings for the Bank Loan Facilities of ₹. 8.40 Crores of AR Poultry Prop. Mr. Rudrappa A. (ARP Or The Firm)**

**Particulars**

Fund based facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Mar, 2019)	Present
Cash Credit	1.00	1.00	<b>Long Term</b>	<b>BWR D</b> (Pronounced as BWR D)	<b>BWR B-</b> (Pronounced as BWR single B minus) <b>Outlook: Stable (Upgraded)</b>
Term Loan I	4.37	4.28			
Term Loan II	3.38	3.12			
<b>Total</b>	<b>8.75</b>	<b>8.40</b>	<b>INR Eight Crores and Forty Lakhs Only</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

**Ratings: Upgraded**

**Rationale/Description of Key Rating Drivers/Rating sensitivities:**

BWR has essentially relied upon audited financial results of FY18, FY19 provisionals (certified by CA), projections upto FY21 and publicly available information and information provided by the Firm's management.

The upgradation of the ratings has factored the improvement in the liquidity position of the firm. Further, the ratings continues to factor the experience of the proprietor in the poultry business, low gearing profile, moderate coverage indicators and increased profit margins. However, the rating is constrained by small scale of operation with marginally improved revenues and strained 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.
- **Low gearing profile and moderate coverage indicators** : Low gearing profile as debt to equity stood at 0.42 times in FY19 provisionals and interest coverage & debt coverage ratios stood at 2.44 times and 1.54 times in FY19 provisionals.
- **Increased net profit and operating profit margins** : Net profit and operating profit margins increased from (18.29)% & 15.88% in FY18 to 16.58% & 39.30% in FY19 provisionals.

### Credit Risks:

- **Small scale of operations as marginally improved revenues** : Revenues improved marginally from Rs. 7.29 Crs in FY18 to Rs. 8.30 Crs in FY19 provisionals.
- **Strained liquidity position** : Strained liquidity position as evidenced by current ratio stood at 0.45 times in FY19 provisionals, and also the average utilization of cash credit facility is 100% in FY19.
- **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 FY19 provisional (CA certified) financials the Firm has reported revenue of Rs. 8.30 Crs and PAT of Rs. 1.38 Crs.

**Rating History for the last three years**

S.No	Facility	Current Rating (2019)			Rating History			
		Type	Amount (₹ Crs)	Rating	23.3.2019	4.1.2018	2017	2016
	<b>Fund Based</b>	Long Term	8.40	<b>BWR B-</b> (Pronounced as BWR Single B minus) <b>(Outlook:Stable)</b> <b>(Upgraded)</b>	<b>BWR D</b> (Pronounced as BWR D) <b>(Downgrade d)</b>	<b>BWR B-</b> (Pronounced as BWR Single B minus) <b>(Outlook:Stable)</b>	<b>Not Rated</b>	
	<b>Total</b>		<b>8.40</b>	<b>₹ Eight Crores and Forty Lakhs Only</b>				

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	Provisionals	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)	22.36	10.73	12.38
Total Debt/Tangible Net worth	Times	1.34	(3.10)	(2.17)	0.42	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](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).

**About Brickwork Ratings**

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, 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 leading public sector 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, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

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