



Rating Rationale

Aar Enn Poultries

20May2019

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 6.43 Crores of Aar Enn Poultries.

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based			
Cash Credit Limit	3.80	Long Term	BWR B (Pronounced as BWR Single B) Outlook: Stable
Term Loan (O/S)	2.63		
Total	Rs 6.43 Crores (INR Six Crores Forty Three Lakhs Rupees Only)		

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

Rating Assigned:

BWR has assigned Long Term Rating of BWR B (*Outlook: Stable*) for the bank loan facilities for Aar Enn Poultries . (‘the firm’)

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the Firm’s audited financial results upto FY18, and publicly available information and information/clarifications provided by the Firm’s management.

The rating draws strength from the extensive experience of the Promoters, long track record of business, moderate gearing level, and satisfactory current ratio. However, the rating is constrained by stagnant scale of operations, decline in revenues and moderate conversion cycle. Going forward, the ability of the Firm to improve its stagnant scale of operations by improvement in revenues in coming FYs, However firm has achieved revenues of Rs 19.00 crores till 31.03.2019 as informed by the management but it is still at stagnant level and to improve their elongated conversion cycle by reducing down there high days inventory would be the key rating sensitivities.

Description of Key Rating Drivers

Credit Strengths:

1. **Experienced Promoters and Track Record of Business:** The promoters of the Firm has rich experience of more than twenty years in the Poultry Business. The firm has a track record of more than 5 Years that helps them to maintain a better healthy relations with their customers and suppliers.
2. **Moderate Gearing Level ;** The Firm has moderate gearing level with TOL/TNW of 2.37 Times in FY18. It has improved as compared to previous year of 2.74 Times in FY17 due to infusion in partner's capital. The firm has to improve their network to maintain an adequate gearing level.
3. **Satisfactory Current Ratio :** The Firm has satisfactory current ratio of 5.23 Times in FY18.

Credit Weakness:

1. **Stagnant Scale of Operations and Decline in Revenues :** The firm scale of Operations remain stagnant with PAT of Rs 0.07 crs in FY16 to Rs 0.08 crores and further improves to Rs 0.12 crores in FY18, coupled with a net worth of Rs 2.13 crores in FY18. The firm revenues has declined by almost 5% in FY18 as compared to previous year of FY17, However Firm has achieved revenues of Rs 19.00 crores till 31.03.19 as informed by the management.
2. **Moderate Conversion Cycle :** The firm has moderate conversion cycle of 80 days in FY18 due to high days inventory of 93 days in FY18.

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).

Support from Holding/Subsidiary Firm:

The Firm has nil associate concerns or subsidiary concerns.

Liquidity

The Firm has Cash & Bank Balances of Rs 0.03 crores. Current ratio was at 5.23 times in FY18. Average working capital utilization for the six months period (November 2018 to April



2019) is 26% .The conversion cycle has been 80 days in FY18. The Firm has current maturities of long term debt of Rs 0.17 crores in FY19.. The Firm ISCR at 1.99 times and Debt Service Coverage Ratio of 0.97 Times as on March 31 2018.

Rating Outlook: *Stable*

BWR believes the **Aar Enn Poultries** 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

Aar Enn Poultries is a family based partnership firm involved in egg layering business for the last five years. The firm draws 95% of the revenues by selling eggs and remaining 5% is received by the discarded birds which stop laying eggs after a certain age. The poultry farm is established at Village Lohund, Tehsil Rajpura, Distt Patiala, Punjab.

Firm Financial Performance

Total operating income (TOI) of the Firm has declined from Rs 12.34 Cr in FY17 to Rs 11.96 Cr. in FY18. The Firm has achieved revenues of Rs 19.00 crores till 31/03/19 as informed by the management. PAT has Improved from Rs 0.08 Cr in FY17 to Rs. 0.12 Cr in FY18.

Key Financial Indicators

Key Parameters	Units	FY18 (A)	FY17 (A)
Result Type			
Operating Revenue	₹ Cr	11.96	12.34
EBITDA	₹ Cr	1.22	1.16
PAT	₹ Cr	0.12	0.08
Tangible Net worth	₹ Cr	2.13	1.59
TOL:TNW	Times	2.37	2.74
Current Ratio	Times	5.23	6.20



Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2019)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2018	2017	2016
1.	Fund Based Cash Credit Limit Term Loan (O/S)	Long Term	3.80 2.63	BWR B (Pronounced as BWR Single B) Outlook: Stable	NA	NA	NA
	Total		6.43	Six Crores Forty Three Lakhs ₹ Only			

Status of non-cooperation with previous CRA (if applicable)- NA

Any other information : Nil

Hyperlink/Reference to applicable Criteria

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

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

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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