



Rating Rationale

Ahlawat Research & Breeding Farm

16 Mar 2018

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 9.01 Crores of Ahlawat Research & Breeding Farm

Particulars

| Facility | Amount (₹ Crs) | Tenure | Rating* |
|--------------|-------------------|--|--|
| Fund based | 2.64 | Long Term | BWR B Outlook:Stable [BWR Single B] |
| | 0.67 | | |
| | 1.10 | | |
| | 4.03 | | |
| | 0.57 | | |
| Total | 9.01 | INR Nine Crores and One Lakh Only | |

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

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financial results of FY15-FY17, projected financial results of FY18-FY20, publicly available information and information/clarification provided by the company's management.

The rating has factored, inter alia, good profitability margins, moderate ISCR and ability to achieve the envisaged sales.

The rating is however constrained by, low DSCR, low net worth, high conversion cycle, low scale of operations and intense competition.

Going forward, the Company's ability to increase its operational level ,profitability & Net Worth ,improve the conversion cycle and ability to service debt would be the key rating sensitivities of the company.



Description of Key Rating Drivers

- **Credit Strengths:**

Good profitability margins:- Ahlawat Research & Breeding Farms (ARBF) recorded operating profit margins and PAT margins of about 16.38% and 2.41% respectively in FY17 against 13.89% and 1.53% respectively in FY16.

Moderate ISCR:- ARBF recorded an ISCR of 2.27 times in FY17 against 2.26 times in FY16.

Ability to achieve the envisaged sales:- Out of the projected topline of Rs 6cr in FY18, ARBF has achieved Rs 4.42cr for the 9 months ended December 2017, thus working out to Rs 5.90cr in FY17 on an annualised basis, thus confident of achieving the envisaged sales.

- **Credit Risks:**

Low DSCR:- ARBF recorded DSCR of about 0.68 times in FY17 against 0.95 times in FY16.

Low net worth:- ARBF recorded net worth of Rs 1.85cr in FY17 against Rs 1.41cr in FY16. The increase was partly due to increase in share capital and increase in profits.

High Conversion Cycle:- ARBF recorded a conversion cycle of 185 days in FY17 against 132 days in FY16. The cycle became elongated due to higher days inventory.

Low scale of operations:- ARBF records topline of Rs 5cr in FY17 against Rs 4.88cr in FY16.

Intense competition:- It faces intense competition from both organized and unorganized players in the market.

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 **Ahlawat Research & Breeding Farm's** 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 Company

Ahlawat Research & Breeding Farm (ARBF) incorporated in 2013 is a proprietorship concern engaged in sale of broiler chicks. It is located in Rohtak, Haryana. It purchases hens from Venky's which produce eggs. The eggs are hatched to produce chicks, which in turn are sold in the markets of Haryana, Punjab and U.P. Around 80% of the broiler chicks are sold in Haryana. ARBF is promoted by Mr. Ravi Kumar who has an experience of around 5 years in the poultry industry.

Company Financial Performance

As per audited financials of FY17, revenue and PAT of Ahlawat Research and Breeding Farm stood at Rs 5cr and Rs 0.12cr respectively, compared to Rs 4.88cr and Rs 0.08cr respectively in FY16. Net Worth increased from Rs 1.41cr in FY16 to Rs 1.85cr in FY17 due to infusion of share capital and plough back of profits..

Rating History for the last three years

| S.No | Instrument /Facility | Current Rating (2018) | | | Rating History | | |
|------|----------------------|------------------------------|----------------|--|----------------|------|------|
| | | Type (Long Term/ Short Term) | Amount (₹ Crs) | Rating | 2017 | 2016 | 2015 |
| 1 | Fund Based | Long Term | 9.01 | BWR B (Stable) | - | - | - |
| | Total | | 9.01 | ₹ Nine Crores and One Lakh Only | | | |

Status of non-cooperation with previous CRA (if applicable)-Reason and comments

Key Financial Indicators

| Key Parameters | Units | 2017 | 2016 |
|-------------------------------|-------|------|------|
| Operating Revenue | ₹ Cr | 5.00 | 4.88 |
| EBITDA | ₹ Cr | 0.82 | 0.69 |
| PAT | ₹ Cr | 0.12 | 0.08 |
| Tangible Net worth | ₹ Cr | 1.85 | 1.41 |
| Total Debt/Tangible Net worth | Times | 2.05 | 1.88 |
| Current Ratio | Times | 1.35 | 1.10 |

Hyperlink/Reference to applicable Criteria

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

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, 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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