Rating Rationale

Brickwork Ratings Reaffirms the rating of 'BWR D' for Long Term Bank Loan Facilities aggregating ₹ 7.67 Cr of PSP Farms Pvt. Ltd

Brickwork Ratings (BWR) has reaffirmed the following **Rating**[1] for the Bank Loan Facilities amounting to ₹7.67 Crores of PSP Farms Pvt Ltd **(PSP or the Company)**

Facility	Present Amount (₹ Cr)	Previous Amount (₹ Cr)	Tenure	Present Rating	Previous Rating July 2014
Term Loan	**0.17**	3.23	**Long Term**	**Reaffirmed at BWR D**	BWR D
Cash Credit	**7.50**	7.50			
TOTAL	**7.67**	10.73	**INR Seven Crores & Sixty Seven Lacs only**		

BWR has principally relied upon the audited financial results up to FY15,estimates of FY16 and projected financials of FY17 of PSP Farms Pvt Ltd, publicly available information and information/clarification provided by the Company' management.

The rating revision reflects delays in debt servicing by the Company and continuing stressed liquidity. The rating also reflects the stretched capitalization, very low profit margins, low debt servicing metrics and inherent risks in the poultry business in terms of disease outbreaks and low entry barriers in the industry,. However, these rating weaknesses are partially offset by the promoters' vast experience in the poultry industry, strong supply chain with in-house feed manufacturing facility and locational advantages of the Company.

Background

PSP Farms Private Limited, the group company of Selvam Group, is promoted by Dr. P. Selvaraj in the year 1988. The Company is primarily involved in the business of Layer Commercial Eggs and Commercial Chicks for the Indian market. The group has its headquarters in Namakkal and the activities are spread over various locations in Tamil Nadu (Elurpatti & Mettupatti)..

Management Profile

PSP Farms Pvt Ltd was established by Dr. P. Selvaraj (B.V.Sc) who serves as the director of the Company. He has experience of more than 30 years in the Poultry business. PSP consists of seven directors who belong to the family of P. Selvaraj including his son Dr. S Babu.

[1] ***Please refer to www.brickworkratings.com for definition of the Ratings***

Financial Performance

PSP's sales turnover has decreased by 23% from ₹54.74 Crores in FY14 to ₹42.13 Crores in FY15. However, the Company has reported net profit of ₹0.75 Crores in FY15 as against net profit of ₹0.30 Crore in FY14 mainly due to reduction in operating expenses. Tangible net worth has increased from ₹5.49 Crores as on March 31, 2014 to ₹6.22 Crores as on March 31, 2015 due to plough back of profits during the year. Gearing ratio has improved from 2.24 times in FY14 to 1.30 times in FY15.

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