

RATHI FEEDS INDIA PVT. LTD

Brickwork Ratings upgrades the Long Term for the Bank Loan Facilities of ₹ 11.65 Crores of Rathi Feeds India Pvt. Ltd. “the company”

Particulars:

Facility**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (July, 2020)	Present
Fund Based	12.45	11.65	Long Term	BWR B+ Stable (Downgrade) ISSUER NOT COOPERATING	BWR BB- Stable (Upgrade)
Total	12.45	11.65	INR Eleven Crores & Sixty Five Lakhs Only		

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

** Details of Bank facilities is provided in Annexure-I

RATING ACTION / OUTLOOK

BWR upgrades the Long Term Rating assigned to Rathi Feeds India Pvt. Ltd. as BWR BB- with Stable Outlook.

The rating draws strength from the rich experience of the management of the company in the poultry industry and moderate financial risk profile. The rating of the firm is constrained by the elongated conversion cycle, lower liquidity levels and competition in the industry.

BWR believes that the business risk profile of “Rathi Feeds India Pvt. Ltd.” 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 there is significant improvement in revenues, profit margins of the company going forward. The rating outlook may be revised to “Negative” if there is any deterioration in the financial risk profile including liquidity of the company.

KEY RATING DRIVERS

Credit Strengths:

- **Experience of the management:** The directors of the company Mr. Vinod Kumar and Mr. Krishan Kumar have about a Decade of Experience in the poultry Industry and the company has long term business associations with its clients, both suppliers and customers.
- **Moderate Financial Risk Profile:** The revenues of the company are at a moderate level being at INR 44.79 Crores in FY19 (Audited). The debt equity ratio was at 1.56x in FY19 (analysed at 1.38x in FY19). The debt protection metrics are at moderate level as ISCR is at 1.55x in FY19 (Audited) and DSCR is at 1.32x in FY19 (Audited).

Credit risks:

- **Elongated Conversion Cycle and lower liquidity levels:** The company has Elongated conversion cycle of 131 days due to high inventory of 157 days in FY19 (Audited) which deteriorated from 119 days in FY18 (Audited). The liquidity is also stretched as the current ratio is at 1.28x in FY19 (Audited).
- **Competition in the Industry:** Entry barriers in the industry are low on account of limited capital and technology requirements. The competition in the aggregates industry is high as there large no. of players in the industry including established and unorganised players due to which there is lesser price fixation flexibility.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

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 SENSITIVITIES

Going forward, the ability of the Firm to improve its revenues and financial risk profile would remain the key rating sensitivities.

Positive: Rating may be upgraded in case of substantial improvement in revenues and profit margins of the firm.

Negative: Rating may be downgraded in case there is deterioration in financial risk profile of the firm including the liquidity of the company.

LIQUIDITY POSITION (Stretched)

The company has Cash & Bank balances of Rs. 0.06 Crs in FY19. Long Term Borrowings of INR 1.67 Crores in FY19 includes unsecured loans from promoters/directors of INR 0.64 Crores, Term Loan from PNB of INR 0.78 Crores, Car loan from IndusInd Bank of INR 0.02 Crores and PNB of INR 0.22 Crores. Average CC utilization of the Last 6 Months comes out to be ~86.89%. The current ratio is 1.28x in FY19. ISCR and DSCR are at 1.55x and 1.32x respectively in FY19. Conversion Cycle is of 131 days in FY19.

Holding/Subsidiary Company: NA

COMPANY PROFILE

Rathi Feeds India Private Limited (RFIPL) was incorporated in 2008 as a private limited company. The directors of the company include Mr. Vinod Kumar & Mr. Krishan Kumar who have about a decade of experience in the poultry industry. The company is engaged in manufacturing of poultry feed at its manufacturing facility located in Jind, Haryana.

KEY FINANCIAL INDICATORS (in ₹ Cr)

Key Parameters	Units	FY19	FY18
Result Type		Audited	Audited
Total Operating Income	Crores	44.79	45.04
EBITDA	Crores	2.88	2.63
PAT	Crores	0.15	0.16
Tangible Networth	Crores	8.47	8.31
Total Debt/TNW	Times	1.56	1.60
Current Ratio	Times	1.28	1.23

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: None

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY: CARE B/Stable as on 12th May 2020.

RATING HISTORY (FOR THE LAST THREE YEARS INCLUDING WITHDRAWALS AND SUSPENDED)

Instrument / Facilities	Current Rating (2020)			Rating History		
	Tenure (Long Term/ Short Term)	Amount (₹ Cr)	Rating	2019	2018	2017
Fund Based	Long Term	11.65	25th August 2020	BWR BB- Stable (Assigned)	--	--
			BWR BB- Stable (Upgrade)			
			16th July 2020			
			BWR B+ Stable (Downgrade) Issuer Not Cooperating			
Total		11.65	INR Eleven Crores and Sixty Five Lakhs Only			

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

General Criteria

Approach to financial ratios

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Rathi Feeds India Pvt. Ltd.

ANNEXURE I

Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
1.	Punjab National Bank	Cash Credit	11.45	--	11.45
		Term Loan	0.20		0.20
TOTAL					11.65

Total Rupees Eleven Crores and Sixty Five Lakhs only.

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BWR has Canara Bank, a leading public sector bank, as one of the promoters and strategic partners. 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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