

Press Release

Nahal Poultry Farm (NPF)

May 25, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs.5.60 Cr
Long Term Rating	SMERA B+/Stable (Assigned)

**Refer Annexure for details*

Rating Rationale

SMERA has assigned the long term rating to '**SMERA B+ (read as SMERA B plus)**' to the Rs.15.00 bank facilities of Nahal Poultry Farm (NPF). The outlook is '**Stable**'.

Punjab based, Nahal Poultry Farm (NPF) was established in the year 1980 as a proprietorship firm by Mr. Jaswinder Singh. The firm is engaged in the business of trading of eggs and cull birds.

List of Key Rating Drivers and their detailed description

Strengths:

Experienced promoters: The proprietor, Mr. Jaswinder Singh has experience of 27 years in the industry and over the years has been able to establish comfortable relationships with their suppliers and customers.

Comfortable financial risk profile: The financial risk profile of NPF is marked by improved gearing of 1.19 times as on March 31, 2016 against 1.46 times as on March 31, 2016. The moderate gearing is eminent from Networth of Rs.2.49 cr as on March 31, 2016 as against total debt of Rs.2.97 crore as on 31st March 2016. The interest coverage levels of the company stood at comfortable levels of around 2.56 times in FY'16 as compared to 2.61 times in the preceding year. The network base of the firm stood at low levels of around Rs. 2.49 cr as on March 31, 2016 vis-à-vis Rs. 2.28 crs in the previous year, the increase backed by infusion of capital into the firm. The total outside liabilities to tangible network (TOL/TNW) ratio of the firm has improved on back of infusion of capital into the business resulting from marginal improvement in network and stands at 1.59 times as on 31st March 2016 as compared to 1.78 times as on 31st March 2015. SMERA expects NPF's debt protection metrics and capital structure to remain prudent on account of its ability to maintain its profitability margins over the medium term.

Weaknesses:

Modest scale of operation: The firm has low and stagnant scale of operation marked by an operating income of Rs.6.76 crore in FY2015-16 as compared to Rs.6.65 crore in FY2014-15. Further the firm has achieved operating income of ~Rs.5.25 crore till Jan 2017, further the

firm's ability to improve its operating income while improving its working capital cycle will be a key credit monitorable factor.

Competitive and fragmented nature of industry: Poultry is a highly competitive industry due to presence of multiple players which results in intense competition from both the organised as well as unorganised players in the industry coupled with limited entry barrier.

Stretched Working Capital Cycle: The firm has stretched working capital cycle marked by the gross current asset (GCA) days of 193 days in FY2015-16 as compared to 176 days a year earlier. The stretch in GCA days is eminent from high inventory days to 195 days in FY2015-16 as compared to 173 days in FY2015-16. The debtor's days of the firm stands at 10days in FY2015-16. The firm has high inventory as engage in trading of eggs and cull bird.

Analytical approach: SMERA has taken a standalone view of the financial and business risk profiles of NPF.

Applicable Criteria

- Trading Entities - <https://www.smera.in/criteria-trading.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Outlook: Stable

SMERA believes that the outlook for NPF will remain 'Stable' over medium term on account of experienced promoters. The outlook may be revised to 'Positive' if the company achieves more than expected revenue while improving its profit margins and capital structure. Conversely, the outlook may be revised to 'Negative' in case of lower than expected revenues and profitability, deterioration in capital structure, further elongation of working capital cycle and/or any large debt funded capex.

About the Rated Entity

Punjab based, Nahal Poultry Farm (NPF) was established in the year 1980 as a proprietorship firm by Mr. Jaswinder Singh. The firm is engaged in the business of trading of eggs and cull birds.

In FY2015-16 the firm has achieved the operating income of Rs.6.76 crore in with the Profit After Tax (PAT) of 0.13 crore as compared to the operating income of Rs. 6.65 crore with PAT of 0.13 crore a year earlier. The Networth of the firm stands Rs.2.49 crore as on 31st March 2016 as compared to 2.28 crore a year earlier.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: None

Rating History for the last three years:

None

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr)	Ratings/ Outlook
Cash Credit	N.A	N.A	N.A	3.25	SMERA B+/Stable (Assigned)
Term Loan – I	N.A	N.A	Not Available	2.00	SMERA B+/Stable (Assigned)
Term Loan – II	N.A	N.A	Not Available	0.35	SMERA B+/Stable (Assigned)

Note on complexity levels of the rated instrument:

<https://www.smera.in/criteria-complexity-levels.htm>

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ABOUT SMERA

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