

Press Release

Nahal Poultry Farm

June 28, 2018



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 5.60 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE B+**' (**read as ACUITE B plus**) on the Rs. 5.60 crore bank facilities of Nahal Poultry Farm. The outlook is '**Stable**'.

Punjab based, Nahal Poultry Farm (NPF), 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. The ratings continue to draw comfort from the experienced promoters and moderate financial risk profile. However, the aforementioned strengths are partially offset by small scale of operation, stretched working capital cycle and highly fragmented in domestic industry.

Key Rating Drivers

Strengths

- **Experienced promoters and second line of management**

Nahal Poultry Farm was established in the year 1980 by Mr. Jaswinder Singh, as a proprietorship firm and since inception the proprietor is associated with firm and managing day to day operation.

- **Moderate financial risk profile**

The firm has moderate financial risk profile marked by moderate gearing and coverage indicators. The modest financial risk profile is marked by gearing at 0.83 times as on March 31, 2018 against 1.50 percent in FY2016-17. Moreover, the interest coverage ratio stood modest at 2.58 times in FY2018 against 2.42 times in FY2017. The operating margin stood at 12.16 per cent in FY2018 against 10.83 per cent in FY2017.

Weaknesses

- **Small scale of operation**

The firm has small scale of operation marked by the operating income of Rs.10.65 crore in FY2018 as compared to Rs.6.52 crore in FY2017. The scale is expected to remain at similar levels in the medium term.

- **Stretched Working Capital Cycle**

The firm has stretched working capital cycle of marked by the GCA days 48 days in FY2018 as compared to 160 days a year earlier. The moderation in GCA days is eminent from liquidation of inventory at 21 days in FY2018 as compared to 165 days in FY2017.

- **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.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of firm to arrive at this rating.

Outlook: Stable

Acuité believes NPF will maintain a 'Stable' business risk profile on account of the extensive experience of the promoters in the business. The outlook may be revised to 'Positive' in case NPF is able to achieve significant growth in revenue and profitability while effectively managing its operating cycle. The

outlook may be revised to 'Negative' in case NPF register a decline in revenue or in case of significant deterioration in its profitability or liquidity profile due to higher than expected working capital borrowings.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	10.65	6.52	6.76
EBITDA	Rs. Cr.	1.29	0.71	0.72
PAT	Rs. Cr.	0.23	0.13	0.13
EBITDA Margin	(%)	12.16	10.83	10.70
PAT Margin	(%)	2.18	2.00	1.93
ROCE	(%)	10.35	6.40	7.44
Total Debt/Tangible Net Worth	Times	0.83	1.50	1.19
PBDIT/Interest	Times	2.58	2.42	2.62
Total Debt/PBDIT	Times	2.21	6.59	4.03
Gross Current Assets (Days)	Days	48	160	193

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
25-May-2017	Cash Credit	Long Term	INR 3.25	ACUITE B+ / Stable
	Term Loan	Long Term	INR 2	ACUITE B+ / Stable
	Term Loan	Long Term	INR 0.35	ACUITE B+ / Stable

*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	Not Applicable	Not Applicable	Not Applicable	3.25	ACUITE B+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE B+ / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	0.35	ACUITE B+ / Stable

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About Acuité Ratings & Research:

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