Press Release

Roy Agrovets Private Limited

June 01, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 15.00 Cr.
Long Term Rating	SMERA BBB- / Outlook: Stable
Short Term Rating	SMERA A3

** Refer Annexure for details*

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BBB-**' **(read as SMERA BBB minus)** and short term rating of **'SMERA A3' (read as SMERA A three)** on the Rs. 15.00 crore bank facilities of Roy Agrovets Private Limited. The outlook is **'Stable'**.

Incorporated in 2011, the Kolkata-based Roy Agrovets Private Limited (RAPL) is engaged in the production of broiler chicks and poultry feed at West Bengal. The company has an installed capacity of 25 lakh birds.

Key Rating Drivers

Strengths

- **Experienced management**
  The promoters, Mr Biswanath Roy and Mr Mani Shankar Roy possess more than three decades of experience in the poultry business.

- **Average financial risk profile**
  The average financial risk profile is marked by high gearing, comfortable debt protection metrics and low net worth. The gearing has been high at 2.71 times in FY2017 (Provisional) as compared to 2.33 times in FY2016. The total debt of Rs 8.56 crore consists of long term debt of Rs 1.67 crore, machinery loan of Rs 2.32 crore apart from short term debt (cash credit facility) and unsecured loan from promoters. RAPL reported healthy interest coverage ratio of 3.85 times in FY2017 (Provisional). Moreover, the Net Cash accrual to Total Debt (NCA/TD) and DSCR stood at 0.18 and 1.98 times respectively in FY2017 (Provisional).The networth stood low at Rs 6.75 crore in FY2017 (Provisional) as against Rs 3.67 crore in FY2016.

- **Efficient working capital management**
  Efficient working capital management is marked by low Gross Current Asset (GCA) days of 40 and 49 in FY2017 (Provisional) and FY2016 respectively. The inventory days stood at 34 days and 23 days in FY2017 (Provisional) and FY2016 respectively. The debtor days stood at 1 and 2 respectively during the period under study mainly due to low credit period and cash payment terms with customers. .

- **Steady revenue growth**
  The company saw steady increase in revenues at a CAGR of 49.26 per cent in the last three years ended FY2016. The revenue stood at Rs.106.70 crore in FY2015 as against Rs.281.84 crore in FY2016. In FY2017 (Provisional), the company registered revenue of Rs.407 crore. The steady growth in revenue is mainly due to expansion of the business to almost all districts of West Bengal. Further, the company has also set up a poultry feed plant at Dubrajpur (Birbhum-West Bengal), with installed capacity of 62,400 mtpa to be captively consumed. The total project cost is Rs 17.30 crore funded by term loan of Rs 9.8 crore and the balance from promoter's own funds. The commercial

operations are expected to commence from July 2017.The production capacity of broilers is expected to increase from 25 lakhs to 30 lakhs.

Weaknesses

- **Cyclical nature of the industry and other associated risks**
  The business and margins of the company remain susceptible to outbreak of bird flu and other such communicable diseases.

- **Low profit margins**
  RAPL has low operating margin of 1.48 per cent in FY2017 (Provisional) compared to 1.31 per cent in FY2016. The net profit margin increased to 0.70 percent in FY2017(Provisional) from 0.66 percent in FY2016. The margins are expected to further improve over the medium term with the commencement of its new poultry feed unit.

- **Susceptibility to changes in raw material prices**
  The margins of the company are susceptible to volatility in the prices of raw materials such as maize, soya, rice bran among others.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the company.

Outlook: Stable

SMERA believes that RAPL will maintain a stable outlook and continue to benefit over the medium term from the promoters' vast experience in poultry farming. The outlook may be revised to 'Positive' if RAPL achieves more than the envisaged sales and profitability while improving its financial risk profile. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve revenue growth and the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded working capital requirements.

About the Rated Entity - Key Financials

For FY2015-16, the company reported Profit After Tax (PAT) of Rs. 1.87 crore on total operating income of Rs. 281.84 crore as compared to PAT of Rs. 0.60 crore on total operating income of Rs. 106.70 cr in FY2014-15.

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

None

Any other information

None

Applicable Criteria

- Default Recognition - https://www.smera.in/criteria-default.htm
- Manufacturing Entities - https://www.smera.in/criteria-manufacturing.htm
- Financial Ratios And Adjustments - https://www.smera.in/criteria-fin-ratios.htm

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

*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	1.50	SMERA BBB- / Stable
Term loans	Not Applicable	Not Applicable	30-Sep-2023	9.80	SMERA BBB- / Stable
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA BBB- / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	0.60	SMERA BBB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.50	SMERA A3
Letter of credit	Not Applicable	Not Applicable	Not Applicable	0.60	SMERA A3

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ABOUT SMERA

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