

Press Release

Roy Agrovets Private Limited

August 17, 2018

Rating Downgraded



Total Bank Facilities Rated*	Rs. 15.00 Cr.
Long Term Rating	ACUITE BB+/ Outlook: Stable (Downgraded from ACUITE BBB-/ Outlook: Stable)
Short Term Rating	ACUITE A4+ (Downgraded from ACUITE A3)

* Refer Annexure for details

Rating Rationale

Acuite has downgraded long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) to **ACUITE BB+** (read as **ACUITE double B plus**) and short-term rating of '**ACUITE A3**' (read as **ACUITE A three**) to **ACUITE A4+** (read as **ACUITE A four plus**) 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 growing and selling of commercial broiler chicks, manufacturing and selling of poultry feed and trading of poultry products. The company has an installed poultry feed capacity of 62400 MTPA. The company procures hatchable eggs from Andhra Pradesh-based hatcheries. Maize, soya and other feeds are procured from traders and farmers. The company operates an integrated commercial broiler on job work basis.

The downgrade in RAPL's rating is on account of significant increase in debt exposure leading to deterioration of leverage ratios such as gearing. Total debt of the company increased from 8.56 Crore in FY2016 to Rs 21.26 Crore in FY2017. Further, the total debt outstanding as on FY2018 (provisional) increased to Rs 28.81 Crore. The gearing stood at 3.04 percent in FY2017 as against 2.33 in FY2016.

Key Rating Drivers

Strengths

- **Established track record and experienced management**

RAPL has an established track record spanning over more than a decade in poultry sector. The key promoter, Biswanath Roy, Manisankar Roy, has more than three decades of experience in growing and trading of broiler chicken.

- **Efficient working capital cycle**

The working capital cycle of RAPL is comfortable marked by Gross Current Assets (GCA) of 41 days in FY2018 (provisional) as against 38 days in FY2017. The GCA days are mainly on account of inventory of 29 days in FY2018 as against 26 days in previous year.

- **Steady revenue growth**

RAPL revenue has grown at a CAGR of 42.27 per cent in the last four years ending FY2018. The operating revenue has increased to Rs 437.15 crore in FY2018 (Provisional) from Rs 106.70 crore in FY2015. The steady growth in revenue is mainly on account of sustained expansion of the business to almost all districts of West Bengal. Further, the company is in process of increasing its poultry feed capacity from 62400 MTPA to 128000 MTPA and sell the same under its brand name "Maxima Neo" and "Ultima Neo". The same is expected to add to their topline.

Weaknesses

• Moderate financial risk profile:

The financial risk profile of RAFL's is moderate marked by modest net worth, high gearing and healthy debt protection metrics. The networth improved from 3.67 Crore on March 31, 2016 to Rs 10.85 Crore as on March 31, 2018 (Provisional) supported by internal accrual. The gearing deteriorated to 2.66 times on March 31, 2018 (Provisional) as against 2.33 times as on March 31, 2016. The gearing is expected to deteriorate further on account of continued capex to set up of three breeding facility, a hatchery and to increase installed capacity of poultry feed. Interest Coverage Ratio (ICR) remained healthy at 4.06 times for FY2018 as against 5.05 times for FY2017. The total outside liabilities to total net worth improved but remained high to 6.12 times in FY2018 (provisional) 7.85 times in FY2017.

• Revenue exposed to cyclicity, broiler price and outbreak of disease

The revenue of RAPL is exposed to highly volatile broiler realizations as a consequence of seasonal nature of demand for the poultry products in India coupled with the supply situation in the market. Rising broiler realization leads to higher chick-placements in the market, leading to an oversupply and a sharp correction in realizations. Further, the profitability remains vulnerable to fluctuations in feed prices with maize/soya forming ~65% of raw material cost for the poultry feed plant. Additionally, is the poultry industry is exposed to diseases such as Avian Influenza (bird flu) outbreaks.

Analytical Approach

Acuite has taken a standalone view of the financial and business risk profile of RAPL to arrive at this rating.

Outlook: Stable

Acuite believes RAPL will continue to benefit from its established track record in the poultry business and established network in West Bengal. The outlook may be revised to 'positive' if there is sustainable increase in revenue profile accompanied by improvement in financial risk profile. The outlook may be revised to 'negative' in case the financial risk profile deteriorates due to debt led capex, lower sales or deterioration in profit margins.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	437.15	408.39	281.46
EBITDA	Rs. Cr.	10.14	5.13	3.70
PAT	Rs. Cr.	3.84	2.15	1.87
EBITDA Margin	(%)	2.32	1.26	1.31
PAT Margin	(%)	0.88	0.53	0.66
ROCE	(%)	23.09	22.70	38.59
Total Debt/Tangible Net Worth	Times	2.66	3.04	2.33
PBDIT/Interest	Times	4.06	5.05	5.72
Total Debt/PBDIT	Times	2.84	4.08	2.28
Gross Current Assets (Days)	Days	41	38	49

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.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 the Facilities	Term	Amount (Rs Crore)	Ratings/Outlook
1 st June ,2017	Cash Credit	Long Term	1.50	ACUITE BBB- / Stable
	Term loans	Long Term	9.80	ACUITE BBB- / Stable
	Proposed Cash Credit	Long Term	2.00	ACUITE BBB- / Stable
	Proposed Long Term Loan	Long Term	0.60	ACUITE BBB- / Stable
	Bank Guarantee	Short Term	0.50	ACUITE A3
	Letter of Credit	Short Term	0.60	ACUITE A3

***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	9.25	ACUITE BB+ / Stable (Downgraded from ACUITE BBB-/ Stable)
Term loans	Not Applicable	Not Applicable	Not Applicable	5.25	ACUITE BB+ / Stable (Downgraded from ACUITE BBB-/ Stable)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE A4+ (Downgraded from ACUITE A3)

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About Acuité Ratings & Research:

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