

Press Release
ROY AGROVETS PRIVATE LIMITED
December 24, 2021
Rating Reaffirmed & Withdrawn



| Product | Quantum (Rs. Cr) | Long Term Rating | Short Term Rat |
|-------------------|---------------------|--------------------------------------|------------------------------------|
| Bank Loan Ratings | 0.62 | | ACUITE A3 Reaffirmed & Withdrawn |
| Bank Loan Ratings | 44.40 | ACUITE BBB- Reaffirmed & Withdrawn | |
| Total | 0.00 | - | - |

Rating Rationale

Acuité has reaffirmed and withdrawn the long term rating of 'ACUITE BBB-' (read as ACUITE triple B minus) and the short term rating of 'ACUITE A3' (read as ACUITE A three) on the Rs. 45.02 crore bank facilities of Roy Agrovets Private Limited. The withdrawal is on account of client's request and receipt of NOC from the banker. The withdrawal is in accordance with Acuité's policy on withdrawal.

About the Company

Incorporated in 2011, Roy Agrovets Private Limited (RAPL) is engaged in growing and selling of commercial broiler chickens and manufacturing of poultry feed. The founder promoter Mr. Biswanath Roy had started the poultry business as a proprietorship firm in 1984 and the constitution was changed in 2011 under its current name. RAPL has a presence in West Bengal and Jharkhand.

About the Group

Established in 2018, Roy Hatcheries Private Limited (RHPL) is a subsidiary of RAPL. RHPL is also into growing and selling of commercial broiler chickens and manufacturing of poultry feed, functioning in Bihar, Uttar Pradesh and Assam. Currently, the group is headed by Mr. Mani Sankar Roy, Mr. Biswanath Roy, Mr. Arun Roy, Mr. Manas Roy and Mr. Prosun Roy.

Analytical Approach

For arriving at this rating, Acuité has consolidated the business and financial risk profiles of Roy Agrovets Private Limited (RAPL) and Roy Hatcheries Private Limited (RHPL) together referred to as the 'Roy Group' (RG). The consolidation is in the view of common management, parent subsidiary relationship, strong operational linkages between the entities and a similar line of business. Extent of consolidation: Full.

Key Rating Drivers

Strengths

- Long track record of operations

Established in 1984, as a proprietorship concern, Roy group has a long operational track record of 36 years in the poultry industry. Acuité believes that the long track record of operations will benefit the group going forward, resulting in steady growth in the scale of operations.

- Above average financial risk profile

The group's above average financial risk profile is marked by modest networth, comfortable gearing and strong debt protection metrics. The tangible net worth of the group increased to Rs.53.37 Cr as on March 31, 2021 from Rs.39.65 Cr as on March 31, 2020 due to accretion of reserves. Acuité has considered unsecured loans to the tune of Rs.18.59 Cr as on March 31, 2021 as part of networth as these loans are subordinated to bank debt. Gearing of the company stood moderate at 1.05 times as on March 31, 2021 as against unity as on March 31, 2020. The debt of Rs. 55.84 Cr consists of working capital from the bank of Rs.22.73 Cr, long term debt of Rs. 26.58 Cr and current maturity of term loan of Rs.6.53 Cr as on March 31, 2021. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood high at 2.03 times as on March 31, 2021 as against 3.07 times as on March 31, 2020. The strong debt protection metrics of the group is marked by Interest Coverage Ratio at 5.68 times as on March 31, 2021 and Debt Service Coverage Ratio at 2.21 times as on March 31, 2021. Net Cash Accruals/Total Debt (NCA/TD) stood healthy at 0.27 times as on March 31, 2021. Acuité believes that going forward the financial risk profile of the company will remain above average over the medium term, in absence of any major debt funded capex plans.

- Efficient working capital management

The comfortable working capital management of the company of is marked by Gross Current Assets (GCA) of 49 days in 31st March 2021 as compared to 65 days in 31st March 2020. The inventory holding stood at 42 days in 31st March 2021 as compared to 53 days as on 31st March 2020. The increase in inventory days is on account of the group's decision to hold stock in March, 2021 as there was a significant dip in the realisations of broiler chicken due to rumors of chicken as possible vector of the Covid-19 disease. Further, the debtor period stood comfortable at 1 day in 31st March 2021 as compared to 10 days in 31st March 2020. Acuité believes that the working capital operations of the firm will remain comfortable as evident from efficient collection mechanism and comfortable inventory levels over the medium term.

Weaknesses

- Low profitability margins

The operating margin of the group increased to 3.09 per cent in FY2021 as compared to 2.75 per cent in the previous year. The PAT margins stood at 1.32 per cent in FY2021 as against 1.06 per cent as on FY2020. The ROCE levels stood at a comfortable level of about 18.00 per cent in FY2021 as against 19.06 per cent in FY2019. However, this risk is mitigated to an extent on account of the planned backward integration of operations of the group.

- Exposure to diseases

Bird flu and other diseases are critical risks in the poultry business, which can affect demand and cause a prolonged impact on prices.

Rating Sensitivities

Not Applicable

Material covenants

None

Liquidity Position: Adequate

The group's liquidity is adequate marked by steady net cash accruals of Rs.15.09 Cr as on March 31, 2021 as against long term debt repayment of Rs.4.65 Cr over the same period. The current ratio stood comfortable at 1.36 times as on March 31, 2021 as compared to 1.19 times as on March 31, 2020. The cash and bank balances of the group stood at Rs.8.04 Cr as on March 31, 2021 as compared to Rs.1.66 Cr as on March 31, 2020. The group has availed loan moratorium, but not applied for any additional covid loan. The working capital management of the company of is comfortable marked by Gross Current Assets (GCA) of 49 days in 31st March 2021 as compared to 65 days in 31st March 2020. However the fund based limit remains highly utilised at 94 per cent over the six months ended November, 2021. Acuité

believes that going forward the company will maintain adequate liquidity position due to steady accruals.

Outlook: Stable

Not Applicable

About the Rated Entity - Key Financials (Consolidated)

| | Unit | FY21 (Actual) | FY20 (Actual) |
|-------------------------------|---------|---------------|---------------|
| Operating Income | Rs. Cr. | 720.21 | 645.47 |
| PAT | Rs. Cr. | 9.50 | 6.81 |
| PAT Margin | (%) | 1.32 | 1.06 |
| Total Debt/Tangible Net Worth | Times | 1.05 | 1.00 |
| PBDIT/Interest | Times | 5.68 | 4.90 |

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

| Date | Name of Instruments/Facilities | Term | Amount (Rs. Cr) | Rating/Outlook |
|-------------|--------------------------------|------------|-----------------|--|
| 05 Oct 2020 | Cash Credit | Long Term | 20.00 | ACUITE BBB- Stable (Assigned) |
| | Term Loan | Long Term | 15.40 | ACUITE BBB- Stable (Assigned) |
| | Bank Guarantee | Short Term | 0.62 | ACUITE A3 (Assigned) |
| | Term Loan | Long Term | 9.00 | ACUITE BBB- Stable (Assigned) |
| 19 Nov 2019 | Term Loan | Long Term | 5.25 | ACUITE BB+ (Withdrawn) |
| | Cash Credit | Long Term | 9.25 | ACUITE BB+ (Withdrawn) |
| | Bank Guarantee | Short Term | 0.50 | ACUITE A4+ (Withdrawn) |
| 24 Oct 2019 | Cash Credit | Long Term | 9.25 | ACUITE BB+ (Issuer not co-operating*) |
| | Bank Guarantee | Short Term | 0.50 | ACUITE A4+ (Issuer not co-operating*) |
| | Term Loan | Long Term | 5.25 | ACUITE BB+ (Issuer not co-operating*) |
| 17 Aug 2018 | Cash Credit | Long Term | 9.25 | ACUITE BB+ Stable (Downgraded from ACUITE BBB- Stable) |
| | Term Loan | Long Term | 5.25 | ACUITE BB+ Stable (Downgraded from ACUITE BBB- Stable) |
| | Bank Guarantee | Short Term | 0.50 | ACUITE A4+ (Downgraded from ACUITE A3) |
| 01 Jun 2017 | Cash Credit | Long Term | 1.50 | ACUITE BBB- Stable (Assigned) |
| | Term Loan | Long Term | 9.80 | ACUITE BBB- Stable (Assigned) |
| | Proposed Cash Credit | Long Term | 2.00 | ACUITE BBB- Stable (Assigned) |
| | Proposed Long Term Loan | Long Term | 0.60 | ACUITE BBB- Stable (Assigned) |
| | Bank Guarantee | Short Term | 0.50 | ACUITE A3 (Assigned) |
| | Letter of Credit | Short Term | 0.60 | ACUITE A3 (Assigned) |

Annexure - Details of instruments rated

| Lender's Name | ISIN | Facilities | Date Of Issuance | Coupon Rate | Maturity Date | Quantum (Rs. Cr.) | Rating |
|---------------------|----------------|------------------------------------|------------------|----------------|----------------|-------------------|--------------------------------------|
| HDFC Bank Ltd | Not Applicable | Bank Guarantee/Letter of Guarantee | Not Applicable | Not Applicable | Not Applicable | 0.62 | ACUITE A3 Reaffirmed & Withdrawn |
| HDFC Bank Ltd | Not Applicable | Cash Credit | Not Applicable | Not Applicable | Not Applicable | 20.00 | ACUITE BBB- Reaffirmed & Withdrawn |
| HDFC Bank Ltd | Not Applicable | Term Loan | Not available | Not available | Not available | 15.40 | ACUITE BBB- Reaffirmed & Withdrawn |
| Kotak Mahindra Bank | Not Applicable | Term Loan | Not available | Not available | Not available | 9.00 | ACUITE BBB- Reaffirmed & Withdrawn |

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About Acuité Ratings & Research

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 8,850 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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