

Press Release

Tulasi Poultry Farm

June 15, 2022



Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	11.52	ACUITE B+ Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	11.52	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE B+**' (read as **ACUITE B plus**) on the Rs.11.52 Cr. bank facilities of Tulasi Poultry Farm (TPF ; part of SNN Group). The outlook is '**Stable**'.

The ratings reaffirmed continue to be supported by the promoters' experience of over three decades in the industry, which has helped the company establish strong relationships with customers as well as suppliers. The rating is, albeit, constrained by its working capital-intensive nature of operations and modest scale of operations.

About the Firm

Established in the year 1999, Tulasi Poultry Farm is a partnership firm engaged in the poultry business of selling eggs. The firm has its farms and feed unit in Coimbatore. The current partners of the firm are Mr. S.N. Nithyanandhan & Mr. S N Swaminathan.

About the Group

Established in the year 1989, S.N.N Poultry Farm is a partnership firm engaged in the poultry business of selling eggs. The firm has its farms and feed unit in Coimbatore. The current partners of the firm are Mr. S.N.Narayanasamy, Mr. S.N. Nithyanandhan & Mr. S.N. Swaminathan.

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuite has considered the consolidated view of the business and financial risk profile of SNN Poultry Farm (SPF) and Tulasi Poultry Farm (TPF) together referred to as the 'SNN Group' (SNNG) to arrive at the rating. The consolidation is in the view of similarity in the line of business and common management among them.

Key Rating Drivers

Strengths

- **Experienced management**

SNNG is promoted by Mr. S N Narayanasamy, who has more than three decades of experience in the poultry industry. SPF was established in and was gradually expanded from 6000 birds to the present total capacity of more than 4,00,000 birds at its plant in Annur, Coimbatore. The group buys day old chicks from multiple hatcheries and sells the eggs to dealers, brokers among others. Partners' longstanding presence and relationship with the stakeholders supported in maintaining stable business risk profile. The group has reported revenue of Rs.48.13 Cr. in FY2022(Prov). Acuité believes that SNNG will sustain its existing business profile on the back of established track record of operations and experienced management

Weaknesses

- **Below-average financial risk profile:**

S.N.N group financial risk profile remained below-average marked by modest net worth, high gearing, and below average debt protection metrics. The tangible net worth stood at Rs. 11.49 Cr as on 31 March, 2022(Prov.) as against Rs. 7.67 Cr as on 31 March, 2021. The gearing of the group has been improving over the last 2 years ending 31 March, 2022(Prov). It stood at 2.35 times as on 31 March, 2022(Prov.) against 3.54 times as on March 31, 2021. The total debt as on 31 March, 2022 consist of working capital limits from banks of Rs. 27.02 Cr. Further, the interest coverage ratio stood at 2.66 times as on 31st March, 2022(Prov.) as against 2.33 times as on 31 March, 2021. The debt to EBITDA of the group stood at 8.27 times as on 31 March, 2022 (Prov.) as against 6.80 times as on 31 March, 2021, primarily due increase in debt. However, the TOL/TNW stood to 2.69 times as on 31 March, 2022(Prov.) as against 4.10 times as on 31 March, 2021. Acuité believes that the S.N.N group 's financial risk profile will remain moderate over the medium term.

- **Intensive Working capital management**

The working capital management of the group is intensive marked by high Gross Current Asset (GCA) days of 217 days as on 31st March, 2022(Prov.) as against 210 days as on 31 March, 2021. Inventory days stood at 181 days as on 31 March, 2022(Prov) as against 199 days as on 31 March, 2021. Subsequently, the payable period stood at 33 days as on 31st March, 2022(Prov.) as against 42 days as on 31st March, 2021 respectively. The debtor's day stood at 27 days as on 31 March, 2022 (Prov.) as against 17 days as on 31 March, 2021. Further, the average bank limit utilization in the last twelve months ended April, 22 remained at ~85 percent for fund based. Acuité believes that the operations of the S.N.N group will remain working capital intensive over the medium term.

- **Cyclical nature of poultry industry and exposure to outbreaks of bird flu and other diseases**

SNNG faces significant risk of Bird flu and other diseases being in the poultry business, which can affect the demand and cause prolonged impact on prices.

- **Risks of withdrawal of capital by partners**

Entity, being a partnership firm, is exposed to adverse capital structure risk, where any substantial capital withdrawal could negatively impact its net worth and capital structure and the liquidity position.

Rating Sensitivities

Positive

- Higher-than-expected Improvement in the scale of operations and profitability as envisaged.

- Sustainable improvement in Leverage and Solvency position of the group.
- Sustainable improvement in Gross current assets (GCA) days.

Negative

- Any deterioration in working capital cycle and liquidity profile of the group.
- Any deterioration in Revenue profile and leverage position of the group.
- Anyweakening of financial risk profile of the group.
- Any substantial capital withdrawal could impact its net worth and capital structure and the liquidity position.

Material Covenants

None

Liquidity Position: Adequate

S.N.N group liquidity is adequate marked by modest net cash accruals to its maturing debt obligations. The group has reported cash accruals of Rs. 1.87 Cr. in FY2022(Prov.) and expected to generate cash accruals in the range of Rs.2.07-2.81 Cr. against CPLTD of Rs.0.79-0.284 Cr. over the medium term. Unencumbered cash and bank balances stood at Rs. 0.19 Cr as on 31 March, 2022(Prov). The current ratio of the company stood at 1.60 times as on 31 March, 2022(Prov). Acuité believes that S.N.N group liquidity will remain sufficient over the medium term backed by repayment of its debt obligations and improving accruals. The fund-based bank limits utilization of S.N.N group is 85 percent for fund based respectively for the past 12 months ending April 2022.

Outlook: Stable

Acuité believes that SNNG will maintain a 'Stable' outlook in the near to medium term on account of its experienced partners and established track record of operations. The outlook may be revised to 'Positive' if the firm registers higher-than-expected growth in revenues, profitability margins and net cash accruals while maintaining/improving its debt protection metrics and financial risk profile. The outlook may be revised to 'Negative' in case the firm registers substantial decline in revenues or profitability margins or if the financial risk profile deteriorates due to higher than expected working capital requirements resulting in deterioration of the capital structure.

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	48.13	43.53
PAT	Rs. Cr.	0.44	0.28
PAT Margin	(%)	0.92	0.64
Total Debt/Tangible Net Worth	Times	2.35	3.54
PBDIT/Interest	Times	2.66	2.03

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

None

Any Other Information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
26 Mar 2021	Term Loan	Long Term	6.00	ACUITE B+ Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	0.95	ACUITE B+ Stable (Reaffirmed)
	Term Loan	Long Term	1.10	ACUITE B+ Stable (Reaffirmed)
	Term Loan	Long Term	1.47	ACUITE B+ Stable (Reaffirmed)
	Cash Credit	Long Term	2.00	ACUITE B+ Stable (Reaffirmed)
06 Jan 2020	Proposed Bank Facility	Long Term	1.05	ACUITE B+ Stable (Assigned)
	Term Loan	Long Term	6.00	ACUITE B+ Stable (Upgraded from ACUITE B)
	Term Loan	Long Term	1.47	ACUITE B+ Stable (Upgraded from ACUITE B)
	Cash Credit	Long Term	2.00	ACUITE B+ Stable (Upgraded from ACUITE B)
10 Jan 2019	Cash Credit	Long Term	5.50	ACUITE B (Issuer not co-operating*)
	Term Loan	Long Term	1.47	ACUITE B (Issuer not co-operating*)
09 Jan 2018	Cash Credit	Long Term	5.50	ACUITE B (Issuer not co-operating*)
	Term Loan	Long Term	1.47	ACUITE B (Issuer not co-operating*)
20 Oct 2016	Cash Credit	Long Term	5.50	ACUITE B Stable (Assigned)
	Term Loan	Long Term	1.47	ACUITE B Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Canara Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE B+ Stable Reaffirmed
Canara Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE B+ Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.95	ACUITE B+ Stable Reaffirmed
Canara Bank	Not Applicable	Term Loan	06-01-2020	8.60	31-07-2024	1.10	ACUITE B+ Stable Reaffirmed
Canara Bank	Not Applicable	Term Loan	Not available	Not available	Not available	1.47	ACUITE B+ Stable Reaffirmed

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Moparthy Anuradha Devi Management Trainee-Rating Operations Tel: 022-49294065 moparthy.anuradha@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research

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