

**Press Release**  
**Sree Renuka Poultry Farm**  
**April 30, 2024**



**Rating Reaffirmed and Withdrawn**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	15.25	ACUITE BB-   Reaffirmed & Withdrawn	-
Bank Loan Ratings	20.75	Not Applicable   Withdrawn	-
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	36.00	-	-

**Rating Rationale**

Acuite has reaffirmed and withdrawn the long-term rating of '**ACUITE BB-' (read as ACUITE double B minus)** on the Rs 15.25 crore bank facilities of Sree Renuka Poultry Farm (SRPF). Acuite has also withdrawn the long-term rating on the Rs. 20.75 crore bank facilities of Sree Renuka Poultry Farm (SRPF). The same is withdrawn without assigning any rating as it is a proposed facility. The withdrawal is in accordance with Acuite's policy on withdrawal of ratings as applicable to the respective facility / instrument. The rating is being withdrawn on account of request received from the company, and NOC (No Objection Certificate) received from the banker.

**Rationale for Rating Reaffirmation**

The rating reaffirmation is driven by stable operating performance of the firm. The operating income stood at Rs.48.23 Cr. in FY2023 as against Rs.47.77 Cr. in FY2022. The operating margin stood at 7.69 percent for FY2023 as against 6.39 percent for FY2022. The rating continues to derive its strengths from established track record and experienced management, however, is constrained by susceptibility of profit margins to volatility in eggs and other raw material prices and elongation in working capital cycle.

**About the Company**

Karnataka based, Sree Renuka Poultry Farm (SRPF) was established in 2007 as a partnership firm by Mr. K. Phanikumar and Mrs. K. Sree Lakshmi. The firm is engaged in layer poultry farming and wholesale trading of eggs. The firm has an installed capacity of 7,30,000 layers. The firm sells its products, eggs, cull birds, and manure majorly to customers in Goa, Dharwad and Belgaum.

**Unsupported Rating**

Not Applicable

**Analytical Approach**

Acuite has considered the standalone business and financial risk profile of Sree Renuka Poultry

Farm to arrive at the rating.

## Key Rating Drivers

### Strengths

#### Established track record and experienced management

The firm is engaged in the layer poultry farming and wholesale trading of eggs for more than a decade. Its promoter, Mr. Phani Kumar has been engaged in this line of business since the past three decades and gained vast amount of experience in the industry. The extensive experience of the promoter is also reflected through the healthy revenue growth. The revenue of the firm stood at Rs.48.23 crore in FY2023 as against Rs.47.77 crore in FY2022. Further, SRPF has successfully completed expansion of layer bird's capacity from 3.60 Lakh layer bird's capacity to 7.30 Lakh layer birds. Acuité believes that the long track record along with experienced management and capex may help the firm maintain a stable business risk profile.

#### Average financial risk profile

The financial risk profile of the firm recorded improvement in FY2023 albeit remains average marked by moderate gearing and modest debt protection metrics. The networth of the firm stood at Rs. 10.14 crore on March 31, 2023 as against Rs. 4.90 crore on March 31, 2022. The increase in networth is on account of profit accretion and additional funds infused by the partners as capital. The gearing ratio stood at 2.43 times on March 31, 2023 as against 2.86 times on March 31, 2022. The TOL/TNW stood at 2.59 times on March 31, 2023 as against 3.36 times on March 31, 2022. The Interest coverage ratio stood at 2.35 times on March 31, 2023 as against 3.00 times on March 31, 2022. The Debt Service Coverage Ratio stood at 1.41 times on March 31, 2023 as against 1.54 times on March 31, 2022. The decrease in coverage ratios is due to increase in the debt levels of the firm. The total debt of the firm stood at Rs. 24.67 crore on March 31, 2023 (PY Rs. 14.01 crore), which consists of long term debt of Rs. 10.22 crore, Rs. 0.40 crore USL from directors, Rs. 13.00 crore of short term debt and CPLTD of Rs. 1.06 crore. Debt/EBITDA stood at 6.65 crore on March 31, 2023 as against 4.53 crore on March 31, 2022.

### Weaknesses

#### Elongation in working capital cycle

SRPF's operation are working capital intensive in nature marked by Gross Current Asset (GCA) days of 144 days in FY2023 and 72 days in FY2022. The debtor collection period of the firm stood at 6 days as on March 31, 2023. The firm's inventory levels increased to 112 days as on March 31, 2023 vis-à-vis 63 days as on March 31, 2022. The creditor payback period stands at 14 days as on March 31, 2023 as against 23 days as on March 31, 2022.

#### Susceptibility of profit margins to volatility in eggs and raw material prices

The profit margins are susceptible to volatility in eggs prices - inherent in the poultry business. Raw materials refer to maize and soya beans which are required for manufacturing of poultry feeds. Raw materials' prices are largely dependent on several external factors like demand outlook and productions and are also susceptible to volatility due to factors such as weather conditions, revision in minimum support price of maize by the government and demand and supply scenario in agricultural markets. Also, bird flu and other diseases are critical risks in the poultry business, which can affect demand and cause prolonged impact on prices.

#### Risk of capital withdrawal associated with partnership nature.

SRPF is a partnership firm established in 2007. Any substantial withdrawal of capital by the partners is likely to have an adverse impact on the capital structure.

### Rating Sensitivities

Not Applicable

## **Liquidity Position**

### **Adequate**

The firm's liquidity is adequate marked by sufficient Net Cash Accruals (NCA) of Rs. 1.65 crore in FY2023 as against its maturing long term debt obligations of Rs. 0.71 crore in the same period. The current ratio stood at 1.25 times on March 31, 2023. The firm has an unencumbered cash and bank balance of 0.03 crore as on March 31, 2023.

### **Outlook: Not Applicable**

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	48.23	47.77
PAT	Rs. Cr.	0.90	0.84
PAT Margin	(%)	1.87	1.77
Total Debt/Tangible Net Worth	Times	2.43	2.86
PBDIT/Interest	Times	2.35	3.00

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

Not Applicable

## Any other information

None

## 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

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
01 Feb 2023	Cash Credit	Long Term	10.65	ACUITE BB-   Stable (Downgraded from ACUITE BB   Stable)
	Term Loan	Long Term	4.60	ACUITE BB-   Stable (Downgraded from ACUITE BB   Stable)
	Proposed Long Term Bank Facility	Long Term	7.35	ACUITE BB-   Stable (Downgraded from ACUITE BB   Stable)
	Proposed Long Term Bank Facility	Long Term	13.40	ACUITE BB-   Stable (Downgraded from ACUITE BB   Stable)
25 Feb 2022	Cash Credit	Long Term	6.30	ACUITE BB   Stable (Reaffirmed)
	Term Loan	Long Term	3.00	ACUITE BB   Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	3.20	ACUITE BB   Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	23.50	ACUITE BB   Stable (Assigned)
15 Feb 2022	Proposed Long Term Bank Facility	Long Term	3.20	ACUITE BB   Stable (Upgraded from ACUITE B+)
	Term Loan	Long Term	3.00	ACUITE BB   Stable (Upgraded from ACUITE B+)
	Cash Credit	Long Term	6.30	ACUITE BB   Stable (Upgraded from ACUITE B+)
18 Aug 2021	Term Loan	Long Term	6.20	ACUITE B+ (Downgraded & Issuer not co-operating*)
	Cash Credit	Long Term	6.30	ACUITE B+ (Downgraded & Issuer not co-operating*)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Union Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.65	ACUITE BB-   Reaffirmed & Withdrawn
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	7.35	Not Applicable   Withdrawn
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	13.40	Not Applicable   Withdrawn
Union Bank of India	Not avl. / Not appl.	Term Loan	31 Mar 2018	Not avl. / Not appl.	31 Mar 2025	Simple	4.60	ACUITE BB-   Reaffirmed & Withdrawn

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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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