

Press Release

Senthil Andavar Feeds

June 24, 2021

Rating Withdrawn



Total Bank Facilities Rated*	Rs. 7.00 Cr.
Long Term Rating	ACUITE BB/(Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuité has withdrawn its long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) on the Rs.7.00 Cr bank facilities of Senthil Andavar Feeds (SAF). The rating withdrawal is in accordance with Acuité's policy on withdrawal of rating and on account of request received from the company and no objection certificate received from the banker.

Senthil Andavar Feeds (SAF) was established as a proprietorship entity promoted by Mrs. S. Sedipoun (wife of K. Subramanian) in 1985. SAF is engaged in the poultry feed manufacturing and its manufacturing facilities are based at Palani (Tamilnadu).

About its Group Company

Mani Broilers (Mani) was established as a proprietorship entity promoted by Mr. K. Subramanian in 1985. Mani Broilers is based at Palani (Tamil Nadu) and it is engaged in the poultry (broiler) business.

Analytical Approach

For arriving at the ratings, Acuité has consolidated the financials of two Group entities Mani Broilers (Mani) and Senthil Andavar Feeds (SAF), collectively referred to as Mani's Group or the Group, given the close operational, financial and managerial linkages amongst them. Extent of consolidation is full.

Key Rating Drivers

Strengths

- **Experienced management and long track record of operations**

Mani Group was promoted by Mr. K. Subramanian and his wife Mrs. S. Sedipoun, first-generation entrepreneurs, in 1985. It has been in the poultry business for over three decades and it has established a strong brand name, particularly in Tamil Nadu. The integrated operations of the group provide competitive advantage being the main raw material required in a poultry farm is feed, which accounts for the major cost and it is produced in-house ensures quality and availability. The operating income of the Group improved at a Compound Annual Growth Rate (CAGR) of around 24% to Rs.186 Cr in FY2020 over the past 3 years. In addition, strong long-term demand prospects of the domestic poultry industry, on the back of favourable socio-economic factors supports the Group business over the medium term. Acuité believes that promoter's established presence in the poultry industry will support the groups' business profile over the medium term.

- **Moderate financial risk profile**

Mani Group's financial risk profile is moderate aided by a moderate network, moderate gearing (debt-to-equity) and moderate debt protection metrics. Group's net worth stood at Rs.15.59 Cr as on March 31, 2020 as against Rs.13.72 crore in March 31, 2019 due to accretion of reserves during the same period. Moderate net worth coupled with moderate debt levels shows the moderate capital structure marked by moderate gearing (debt-to-equity) and total outside liabilities to tangible network (TOL/TNW) levels of 1.08 times and 1.91 times, respectively, as on March 31 2020 vis-à-vis 1.53 and 2.36 times respectively, as on March 31 2019. Debt protection metrics were moderate, reflected in interest coverage (ICR) and net cash accrual to total debt ratio (NCA/TD) of 2.32 times and 0.07 times, respectively, in FY2020 vis-à-vis 9.62 times and 0.15 times for FY2019. The Group has generated cash accruals of Rs.1.09 to 3.15 Cr during the last three years through 2018-20, while its maturing debt obligations were in the range of Rs.0.15-0.35 Cr during the same period. Acuité believes that the financial risk profile of the firm is expected to remain moderate over the medium term on account of no significant capex plans.

• **Efficient working capital management**

The Mani group's working capital is efficiently managed as reflected by the Gross Current Assets (GCA) days at of 73-84 days over the past three fiscals ended through March 31, 2020. This is mainly on accounts of the low inventory holding period of 41-45 days over the past three fiscals ended March 31, 2020. The company has debtor's days of 12-21 days over the past three fiscals ended March 31, 2020. On the other hand, the company gets less credit of around 28-55 days from its suppliers during past three fiscals ended through March 31, 2020. As a result, the reliance on working capital limits utilized is around 51 percent during the past six months ended through March 2021. Acuité expects the working capital management to remain efficient over the medium term on account of the lean inventory levels and efficient collection mechanism maintained by the group.

Weaknesses

• **Profitability vulnerable to movement in raw material prices**

The profitability remains vulnerable to fluctuations in feed prices with maize/soya forming ~65–70% of raw material cost. The prices of the raw materials remain volatile on the back of fluctuation in domestic production due to dependence on agro-climatic condition, international prices, government regulations (minimum support price). The EBITDA margin Margins have remained in range-bound between 3.61 to 1.14 percent over the last three years through FY2020. Improvement from the current profit margins and achieving optimum sales volumes will be the key rating sensitivities, going forward.

• **Exposure to cyclicity in the poultry industry**

In the past, the Indian poultry industry has been periodically affected by record high feed prices and unfavourable broiler realisations. The highly volatile broiler realisations are a consequence of the seasonal nature of higher chick placements in the market from organised and unorganised players, leading to an oversupply and a sharp correction in realisations. Poultry industry in India is severely affected by the outbreak of bird flu or avian influenza on a consistent basis. Moreover, the perceived limitations in quarantining the outbreak of infections make the entire country susceptible to the outbreak in any region. The company faces intense competition from organized as well as unorganized players catering to regional demands. Acuité believes that the company's business performance is susceptible to intense competition and inherent risks in the poultry industry.

• **Risk of capital withdrawal**

Mani Group's constitution as proprietorship entities is exposed to discrete risks, including the possibility of withdrawal of capital by the promoter. Moreover, the proprietorship nature partially limits the flexibility to raise the funds vis-à-vis a limited firm.

Liquidity Position: Adequate

The group has adequate liquidity marked by moderate net cash accruals to its maturing debt obligations and efficient working capital management. The group has generated cash accruals of Rs.1.09 to 3.15 crore during the last three years through 2018-20, while its maturing debt obligations were in the range of Rs.0.15-0.35 crore during the same period. Mani group's working capital is efficiently managed as reflected by the Gross Current Assets (GCA) days at of 74-84 days over the past three fiscals ended through March 31, 2020. As a result, the reliance on working capital limits utilized is around 51 percent during the past six months ended through March 2021. The current ratio stands at 1.25 times and maintained unencumbered cash and bank balances of Rs.0.32 Cr as on 31 March 2020. Acuité believes that the liquidity of the firm is likely to remain adequate over the medium term on account of moderate cash accruals against its repayment obligations.

Rating Sensitivities

- Significant improvement in scale of operations, while improving its profitability margins
- Sustenance of prudent working capital cycle
- Further decline in operating profitability, resulting in weaker cash accrual.
- Any further large debt-funded capital expenditure, impacting the financial risk profile adversely.

Material covenants

None

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	186.07	165.93
PAT	Rs. Cr.	0.67	2.67
PAT Margin	(%)	0.36	1.61
Total Debt/Tangible Net Worth	Times	1.08	1.53
PBDIT/Interest	Times	2.32	9.62

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

None

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>
- 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>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
29-Sept-2020	Cash Credit	Long Term	7.00	ACUITE BB/Stable (Assigned)

*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	7.00	ACUITE BB (Withdrawn)

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About Acuité Ratings & Research:

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