

Press Release

Neelkanth Appliances Private Limited

November 27, 2020



Rating Assigned

Total Bank Facilities Rated*	Rs. 15.00 Cr.
Long Term Rating	ACUITE B/Stable (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned the long-term rating to '**ACUITE B**' (**read as ACUITE B**) on the Rs.15.00 crore bank facilities of Neelkanth Appliances Private Limited (NAPL). The outlook is '**Stable**'.

About the Company

The company was incorporated in 1997 and started its business into wholesale trading in RO purifiers in 2004. Due to internal reasons, the company shutdown that business in 2017. In 2018-19, the company entered into the business of layer poultry farming and wholesale trading of egg with a total project of ~Rs.25.00-30.00 Crore. As of now, the project is almost complete and the production has started from July-2020. The company is expecting a revenue of ~Rs.5.00 Crore by the end of the current financial year.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of NAPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management and reputed clientele**

The promoters of the company Mr. Manish Khandelwal and Mr. Rajesh Ghai have a past experience in a various different industry. Both of the promoters have past experience in the business of layer poultry farming and wholesale trading of egg and a vast range of technical expertise.

Acuite believed that experienced management would help the company to obtain reputed clientele and generate healthy growth in revenue in the near future.

Weaknesses

- **Nascent stage of operation**

Currently, the project is in progress and estimated to get complete by December-2020 which was earlier estimated to be May-2020 but got delayed due to Covid-19 Pandemic followed by the nationwide lockdown. The operations of the company have been already started in July-2020. However, the companies operation is currently at a nascent stage. The company has only achieved revenue of Rs.0.81 Crore as of 31st October 2020.

The company's ability to scale up its business will remain a key rating sensitivity factor.

- **Susceptibility of revenue and profitability to bird diseases**

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

Rating sensitivity

- Timely completion of project

Material Covenant

None

Liquidity position: Adequate

The Company has adequate liquidity marked by adequate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.0.02 Crore in FY2020 as against no significant debt maturity obligation for the year. The cash accruals of the company are estimated to remain in the range of around Rs.0.70 Crore to Rs.1.64 Crore during FY2021-23 against the CPLTD in the range of around Rs.0.36-1.43 Crore each year for the same period. Company maintains unencumbered cash and bank balances of Rs.0.02 Crore as on 31 March 2020. The current ratio stands at 2.45 times as on 31 March 2020.

Outlook: Stable

Acuité believes that the company will maintain a 'Stable' outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' if there is a substantial and sustained improvement in company's operating income or profitability while maintaining its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of further deterioration in working capital or weakening of its capital structure and debt protection metrics.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	-	-
PAT	Rs. Cr.	0.02	0.01
PAT Margin	(%)	-	-
Total Debt/Tangible Net Worth	Times	6.87	1.89
PBDIT/Interest	Times	35.56	35.88

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>
- 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 (Up to last three years)

Not applicable

***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	4.95	ACUITE B/Stable (Assigned)
Term Loan-I	May-2019	Not Available	December-2027	10.00	ACUITE B/Stable (Assigned)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.05	ACUITE B/Stable (Assigned)

Contacts

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About Acuité Ratings & Research:

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