



Press Release

RMP Farms

April 12, 2022

Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	28.00	ACUITE BB Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	28.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) on the Rs.28.00 Cr bank facilities of RMP Farms (RMP). The outlook is '**Stable**'.

The rating reaffirmed favourably factors in the extensive experience of the partners of RMP of over three decade in the poultry sector and also takes note of the expected healthy revenue growth over 25-30 percent estimated in FY2022 along with its diversified product portfolio and diversified geographic presence. Albeit, the rating is constrained by high working capital intensity (99 percent bank limits utilisation), highly fragmented poultry industry and exposure towards volatility in key raw material prices and inherent exposure towards disease outbreaks in the animal husbandry business.

About the Company

Palladam-Tamil Nadu based RMP farms (RMP) was established in 1987, as a partnership concern by the partners Mr. R. P. Gnanasundravadeivel, Mr. R. P. Gunasekar, Ms. R. P. Saroja, Mr. G. Bhuvaneshwari, Mr. V. Vishnubalaji and Mr. V. Hari Hara Sudhan. The firm is engaged in diversified operations such as commercial bird farming (both layer and broiler), operation of hatcheries and production of feed among others. It has a cumulative capacity to manage and place as much as 12 lac broiler chicks per month and cumulative poultry feed mill capacity of 10000 tons per annum for captive consumption.

Analytical Approach

Acuite has taken a standalone view of the business and financial risk profile of RMP to arrive at this rating.

Key Rating Drivers

Strengths

Experienced management and long track record of operations

RMP farms was promoted by Mr. R. P. Gnanasundravadivel and Mr. R. P. Gunasekar along with his family members as partners in 1987. It has been in the poultry business for over three decades and it has established a brand name in Assam, West Bengal, Bihar and Tamil Nadu. The integrated operations of the firm provide competitive advantage being the main raw material required in poultry farm is feed, which accounts for the major cost and it is produced in-house ensures quality and availability leading to better operating margins. RMP's revenue declined ~9 % yoy to Rs.167. 20 Cr in FY21 (FY20: 183.45 Cr) owing to the outbreak of Covid-19. Despite the decline in revenue, the EBITDA margins of the firm improved to 3.70 per cent in FY2021 against 3.42 percent in FY2020. RMP is likely to register a healthy revenue growth ~40%, according to 11M provisional financials, SSMPL reported revenue of Rs. ~214 Cr and expected to report Rs.230-234 Cr for FY22. Acuité believes that promoter's established presence in the poultry industry will sustain and support the firm business profile over the medium term.

Diversified geographic presence and vertically integrated operations

RMP has poultry farms in the southern, central and western regions of India. It has presence in over 5 Indian states Assam (45-50%), West Bengal (10-12%), Bihar (15-20%), Tamil Nadu (15-20%), among others. Diversified integrated operations commercial bird farming (both layer and broiler), production of feed. The vertically integrated operations should continue to support the business risk profile.

Above average financial risk profile

RMP's financial risk profile is above average aided by a moderate network, moderate gearing (debt-to equity) and moderate debt protection metrics. RMP's net worth at Rs.19.94 Cr as on March 31, 2021 as against Rs.18.15 Cr in as on March 31, 2020. RMP has leveraged capital structure marked by high gearing (debt-to equity) and high total outside liabilities to tangible network (TOL/TNW) levels of 1.93 times and 3.98 times respectively, as on March 31 2021 vis-à-vis 2.09 and 4.53 times respectively, as on March 31 2020. Debt protection metrics were moderate, reflected in interest coverage (ICR) and net cash accrual to total debt ratio (NCA/TD) of 1.56 times and 0.06 times, respectively, in FY2021 vis-à-vis 1.60 times and 0.06 times for FY2020. Acuité believes that the financial risk profile of the firm is expected to remain same over the medium term on account of no significant capex plans over the medium term.

Weaknesses

Working capital intensive nature of operations

The RMP's working capital is moderately managed as reflected by Gross current assets (GCA) days at of 105-175 days over the past three fiscals ended through March 31, 2021. This is mainly on accounts of inventory holding period of 71-121 days and debtors' days of 27-47 days over the past three fiscals ended March 31, 2021. On the other hand, the firm gets credit of around 71-109 days from its suppliers during past three fiscals ended through March 31, 2021. As a result, the reliance on working capital limits utilized is high around 99-100 percent during past six months ended through March 2021. Acuité expects the working capital management to remain high working capital intensive over the medium term.

Profitability vulnerable to movement in raw material prices

The profitability remains vulnerable to fluctuations in feed prices with maize/soya/rice bran and others are forming ~80% 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, and government regulations. However, the EBITDA margin margins are improving year on year due to integrated nature of operations and the EBITDA margins is improved to 3.70 percent in FY21 from 3.42 percent in FY20 and 2.93 percent in FY19. Acuité believes that improvement from the current profit margins and achieving optimum sales volumes will be the key rating sensitivities, going forward.

ESG Factors Relevant for Rating

Not Applicable

Rating Sensitivities

- Significant improvement in scale of operations, while improving its profitability margins
- Improvement of working capital cycle
- Any further large debt funded capital expenditure, impacting the financial risk profile

Material covenants

None

Liquidity Position: Adequate

The RMP has adequate liquidity marked by moderate net cash accruals to its maturing debt obligations and albeit constrained by Working capital intensive nature of operations led to highly utilized bank lines. The firm has generated cash accruals of Rs.2.20 to 2.70 Cr during the last three years through 2019-21, while its maturing debt obligations were in the range of Rs.0.15- 1.10 Cr during the same period. The cash accruals of the firm are estimated to remain around Rs.3-4 Cr during FY2022-24 while their repayment obligations are estimated to be around Rs.1.50-2.10 Cr during the same period. The RMP's working capital is moderately managed as reflected by Gross Current Assets (GCA) days at of 71-121 days over the past three fiscals ended through March 31, 2021. Its working capital limits utilized is high 99-100 percent during past six months ended through March 2021. The current ratio stands at 1.22 times and unencumbered cash and bank balances of Rs.6.02 Cr during past 3 years ended as on 31 March 2021. 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.

Outlook: Stable

Acuité believes that RMP will maintain a 'Stable' outlook in the medium term on account of long track record of operations and experienced management in the industry. The outlook may be revised to 'positive' if the firm registers higher than expected growth in its revenues while improving its profitability and capital structure. Conversely, the outlook may be revised to 'Negative' in case of any further stretch in its working capital management or larger-than-expected debt-funded capex or significant withdrawal of capital leading to deterioration of its financial risk profile and liquidity.

Other Factors affecting Rating

Not Applicable

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	167.20	183.45
PAT	Rs. Cr.	0.39	0.65
PAT Margin	(%)	0.23	0.35
Total Debt/Tangible Net Worth	Times	1.93	2.09
PBDIT/Interest	Times	1.56	1.60

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

RMP has not cooperated with ICRA, which has classified the RMP as non-cooperative through a release dated April 29, 2021. The reason provided by ICRA Ratings is non-furnishing of information for monitoring of ratings.

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

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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
19 Jan 2021	Cash Credit	Long Term	15.00	ACUITE BB Stable (Assigned)
	Cash Credit	Long Term	13.00	ACUITE BB Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
IDBI Bank Ltd.	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	13.00	ACUITE BB Stable Reaffirmed
Canara Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE BB Stable Reaffirmed

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Bhavani Sankar Oruganti Senior Analyst-Rating Operations Tel: 022-49294065 bhavanisankar.oruganti@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

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.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.