Press Release
RMP FA RMS
June 29, 2023
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	-	-

Rating Rationale

Acuité 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**'.

Rationale for Reaffirmation

The rating reaffirmation takes into account stable operating and financial performance of RMP. The operating income of the firm stood at Rs.197.64 Cr in FY2023 (Prov) as against Rs.235.84 Cr in FY2022. The operating margin has improved to 3.60 percent in FY2023(prov) from 1.87 percent in FY2022. The financial risk profile of the firm continues to remain moderate. However, these strengths are offset by working capital intensive nature of operations, stretched liquidity position and profitability vulnerable to movement in raw material prices

About the Company

Palladam-Tamil Nadu based RMP farms (RMP) was established in 1987, as a partnership concern by the partners Mr. R. P. Gnanasundravadivel, 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

Acuité 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 stood at Rs.197.64 Cr in FY2023 (Prov) as against Rs.235.84 Cr in FY2022. The turnover of RMP remains fluctuating since the last five years, majorly due to the demand and seasonal variations in the market. The operating margin has improved to 3.60 percent in FY2023 (Prov.)

from 1.87 percent in FY2022. Acuité believes that promoter's established presence in the poultry industry will sustain and support the firm business profile over the medium term.

Moderate financial risk profile
RMP's financial risk profile is moderate marked by improving gearing ratio, Total outside liabilities to total net worth (TOL/TNW), increase in net worth and average debt protection metrics. RMP's net worth is at Rs.24.91Cr in the as on 31st March 2023 (Prov) compared to Rs.20.58 Cr as on 31st March 2022. RMP has leveraged capital structure marked by moderate gearing (debt-to equity) and total outside liabilities to tangible networth (TOL/TNW) levels of 1.67 times and 2.27 times respectively, as on 31st March 2023 (Prov) vis-à-vis 2.08 and 4.26 times respectively, as on 31st March 2022. Debt protection metrics were moderate, reflected in Interest coverage ratio (ICR) and debt service coverage ratio (DSCR) of 1.85 times and 1.38 times, respectively, in FY2023 (prov) vis-à-vis 1.76 times and 1.26 times for FY2022. 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 over the medium term.

Weaknesses

Working capital intensive nature of operations
The RMP's working capital remains intensive with high GCA days of 146 days as on March 31, 2023 (prov) and March 31, 2022. The reason for the high GCA days is due to holding of inventory for 122-102 days. Inventory includes livestock, feed for chickens, etc. The debtor days stood at 21 days as on March 31, 2023 (prov) as against 32 days as on March 31, 2022. Subsequently, the payable period improved and stood at 57 days as on March 31, 2023 (prov) as against 54 days as on March 31, 2022 respectively. The firm has high reliance on working capital with the average consolidated bank limit utilization in the last six months ended May 2023 remained at 99.21 percent for fund based facilities. Acuité expects the working capital operations to remain intensive due to nature of business 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 agroclimatic condition, international prices, and government regulations. However, the EBITDA margin have improved in FY2023 (prov) majorly due to integrated nature of operations and the EBIDTA margins is improved to 3.60 percent in FY2023 (prov) from 1.87 percent in FY2022. Acuité believes that improvement from the current profit margins and achieving optimum sales volumes will be the key rating sensitivities, going forward.

Rating Sensitivities

- Significant improvement in scale of operations, with improving its profitability margins.
- Improvement of working capital cycle.
- Improvement in the liquidity position of the firm.

Material covenants
None

Liquidity: Stretched
The RMP's is stretched marked by high utilisation of working capital limits and moderate net cash accruals to its debt obligations. The working capital intensive nature of operations led to highly utilized bank lines. The gross current asset days stood at 146 days as on March 31, 2023 (Prov.). The average consolidated bank limit utilization in the last six months ended May 2023 remained at 99.21 percent for fund based facilities. The firm has generated net cash accruals of Rs.3.33 Cr in FY2023 (Prov) as against its maturing long term debt obligations in the range of Rs.1.35 Cr for the same period. Firm is expected to generate NCA in range of Rs.3.52 - 4.82 Cr against modest maturing debt obligations in range of Rs.1.21 -1.08 Cr over the medium term. The current ratio stood at 1.38 times as on March 31, 2023 (prov) against 1.25 times as on March 31,2022.

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 achieves significant growth in revenue, improving its profitability and improvement in leverage ratios while maintaining comfortable liquidity position. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in the financial risk profile with debt funded capex and higher than expected working capital requirement.

Other Factors affecting Rating

Not Applicable

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	197.64	235.84
PAT	Rs. Cr.	2.05	0.42
PAT Margin	(%)	1.04	0.18
Total Debt/Tangible Net Worth	Times	1.67	2.08
PBDIT/Interest	Times	1.85	1.76

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 June 24, 2022. 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

In order to inform the investors about complexity of instruments, Acuité 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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
12 Apr 2022	Cash Credit	Long Term	13.00	ACUITE BB | Stable (Reaffirmed)
	Cash Credit	Long Term	15.00	ACUITE BB | Stable (Reaffirmed)
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	Complexity Level	Quantum (Rs. Cr.)	Rating
IDBI Bank Ltd.	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	13.00	ACUITE BB | Stable | Reaffirmed
Canara Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE BB | Stable | Reaffirmed

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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.