



Press Release
RMP Farms
September 13, 2024
Rating Downgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	28.00	ACUITE C Downgraded	-
Total Outstanding Quantum (Rs. Cr)	28.00	-	-

Rating Rationale

Acuite has downgraded its long-term rating to **'ACUITE C' (read as ACUITE C)** from **'ACUITE BB' (read as ACUITE double B)** on the Rs.28.00 Cr. bank facilities of RMP Farms (RMP).

Rationale for Downgrade

The firm has delayed in making repayment of GECL loans (*not being rated*) by Acuite from IDBI bank. The latest delays of the debt obligations is evident in the month of July 2024 (due date being 10th of every month), where the payments were made in tranches within 1 to 16 days from due date. The banker has verbally stated that there is auto debit mechanism for recovery of debt obligations from Cash Credit account but due to paucity of funds they are unable to service the same timely. The cash credit account is not continuously overdrawn for more than 30 days.

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.

Unsupported Rating

Not Applicable

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 is promoted by Mr. R. P. Gnanasundravadivel and Mr. R. P. Gunasekar along with his family members as partners since 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 ensuring quality and availability leading to better operating margins. Acuité believes that promoter's established presence in the poultry industry will sustain and support the firm

business profile over the medium term.

Weaknesses

Intensive Working capital operations:

The working capital management of the company remained intensive marked by high Gross Current Assets (GCA) of 169 days for FY2024(Prov.) as compared to 192 days as on FY2023. The debtor period stood at 27 days for FY2024(Prov.). Further, the inventory holding stood at 133 days for FY2024(Prov.) as against 137 days for FY2023. 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 at the back of fluctuation in domestic production due to dependence on agroclimatic condition, international prices, and government regulations. Acuité believes that improvement from the current profit margins and achieving optimum sales volumes will be the key rating sensitivities.

Delays in servicing term debt obligations

The firm has delayed in making repayment of GECL loans (not being rated) by Acuite from IDBI bank. The latest delays of the debt obligations is evident was in the month of July 2024 (due date being 10th of every month), where the payments were made in tranches within 116 days from due date. The banker has verbally stated that there is auto debit mechanism for recovery of debt obligations from CC account but due to paucity of funds they are unable to service the same timely.

Rating Sensitivities

- Timely servicing of term debt obligations

Liquidity Position

Poor

The firm has delayed in making repayment of GECL loans (not being rated) by Acuite from IDBI bank. The latest delays of the debt obligations as is evident was in the month of July 2024 (due date being 10th of every month), where the payments were made in tranches within 1 to 16 days from due date. The banker has verbally stated that there is auto debit mechanism for recovery of debt obligations from Cash credit account but due to paucity of funds and they are unable to service the same timely. The cash credit account is not continuously overdrawn for more than 30 days.

Outlook: Not Applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	200.92	196.10
PAT	Rs. Cr.	1.38	0.68
PAT Margin	(%)	0.68	0.34
Total Debt/Tangible Net Worth	Times	0.68	1.54
PBDIT/Interest	Times	1.60	1.57

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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
29 Jun 2023	Cash Credit	Long Term	13.00	ACUITE BB Stable (Reaffirmed)
	Cash Credit	Long Term	15.00	ACUITE BB Stable (Reaffirmed)
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 avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	13.00	ACUITE C Downgraded (from ACUITE BB)
Canara Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	15.00	ACUITE C Downgraded (from ACUITE BB)

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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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