



Press Release
KJL Poultries Private Limited
August 28, 2023

Rating Reaffirmed & Withdrawn and Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	46.20	ACUITE BB Reaffirmed & Withdrawn	-
Bank Loan Ratings	3.80	Not Applicable Withdrawn	-
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	50.00	-	-

Rating Rationale

Acuite has reaffirmed & withdrawn its long term rating of '**ACUITE BB**' (read as **ACUITE double B**)' on the Rs 46.20 crore bank facilities of KJL Poultries Pvt Ltd (KJLPL).

Acuite has also withdrawn its proposed long term rating on bank facilities Rs 3.80 crore of KJL Poultries Pvt Ltd.

The rating is being withdrawn on account of the request received from the company and the NOC/NDC received from the banker as per Acuite's policy on withdrawal of ratings.

Rationale for the Reaffirmation

The rating is reaffirmed considering the stable operating and financial performance of KJL Poultries Pvt Ltd. The rating also favourably factors in the extensive experience of the promoters in the poultry industry and the established relationships of the KJLPL with its clients and local farmers. However, the rating is constrained by the working capital intensive nature of operations and exposed to the inherent industry risk of disease outbreaks (bird flu).

About the Company

KJL Poultries Private Limited (KJLPL) was incorporated in 2010 by Mr. Kalidindi Satyanarayana Raju, Dr. Kalidindi Srinivasa Raju along with other family members. KJLPL is engaged in diversified operations such as commercial bird farming, operation of hatcheries and production of feed among others. The company is based in Hyderabad.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the KJLPL to arrive at this rating.

Key Rating Drivers

Strengths

Promoters' extensive experience in the Indian poultry industry

Incorporated in 2010, KJLPL is a closely-held company promoted by Mr. Satyanarayana Raju who has more than three decades in the poultry business. Dr. Kalidindi Srinivasa Raju is the first generation entrepreneur who has been part of the day-to-day operations of the company. The extensive experience of the promoters along with experienced management has helped in maintaining long relationship with its customers which has resulted in rerepeated orders. The integrated operations of KJLPL 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. KJLPL's operating Income for FY23 (Prov) stood at Rs

171.85 crore as against Rs 173.91 Cr in FY22. Further, EBITDA Margin for the FY23 (Prov) stood at 9.01% as against FY22 at 7.91%. The Profit after tax margins (PAT) stood at 2.88% in FY23 (Prov) as against 2.77% in FY22. Acuité believes that promoter's established presence in the poultry industry and increasing demand in the Indian Poultry Industry will support KJLPL's business profile over the medium term.

Average financial risk profile

The financial risk profile of the company remained average marked by average net worth, high gearing ratio & debt protection metrics. The net worth stood at Rs 37.34 Cr as on 31 March 2023 (Prov) as against Rs 32.33 Cr same period last year. The gearing level of the company remained high at 2.18 times as on 31 March 2023 (Prov) as against 1.63 times same period last year. Also, the Total Outside Liabilities to Tangible Net Worth (TOL/TNW) ratio stood high at 3.32 times in as on 31 March 2023 (Prov) compared against 3.00 times as on 31 March 2022. The debt protection matrices of the company is improving marked by Interest Coverage Ratio (ICR) of 3.09 times for FY23 (Prov) and Debt service coverage ratio (DSCR) of 1.98 times for the same period. Acuité believes that the financial risk profile of the company will remain average over the medium term.

Weaknesses

Working capital intensive nature of operations

The operations of the company remained working capital intensive in nature marked by GCA Days of 204 days for FY23 (Prov) as compared against 153 days for FY22. Furthermore, the receivables days stood at 65 days in FY23 (Prov) against 43 days in FY22. The average credit period to customers is 15 - 30 days. The inventory days of the firm stood at 146 days for FY23 (Prov) compared against 115 days for FY22. The creditor days stood at 33 days for FY23 (Prov) compared against 62 days for FY22. The average credit period received is around 30 - 60 days.

Inherent risk in poultry business

The Group, like other entities in the poultry and related businesses, is exposed to the inherent industry risk of disease outbreaks (bird flu or avian influenza). However, Acuité believes that various bio-security measures adopted by the Group over the years, which mitigate the risk to an extent. Further, the poultry industry is fragmented with intense competition leading to pressure on pricing and margins. As inherent in the industry, the broiler production cost and realisations vary considerably across geographies and are impacted by the seasonality as well as local supply dynamics. However, the movement in feed prices generally follows similar trends across geographies. Volatility in broiler realisations, due to the seasonal nature of demand of poultry products in India, has a bearing on the profitability of all integrators and keep the same volatile.

Rating Sensitivities

Significant improvement in scale of operations while maintaining profitability margins
Any large debt-funded capital expenditure, resulting in deterioration of financial risk profile
Any further deterioration in working capital management leading to deterioration in financials risk profile and liquidity

All Covenants

None

Liquidity Position

Adequate

The liquidity position of the company remains adequate marked by net cash accruals of Rs 8.10 crore against Rs 1.57 crore maturing debt obligations for the same period. The current ratio of the company remains at 1.19 times as on 31 March 2023 (Prov). The company has unencumbered cash and bank balances of Rs 0.06 Cr as on 31 March 2023 (Prov).

Outlook: Not Applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	171.85	173.91
PAT	Rs. Cr.	4.95	4.82
PAT Margin	(%)	2.88	2.77
Total Debt/Tangible Net Worth	Times	2.18	1.63
PBDIT/Interest	Times	3.09	3.02

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>
- 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
02 Aug 2022	Proposed Bank Facility	Long Term	3.80	ACUITE BB Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	8.80	ACUITE BB Stable (Reaffirmed)
	Cash Credit	Long Term	33.00	ACUITE BB Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	4.40	ACUITE BB Stable (Reaffirmed)
27 Jul 2021	Term Loan	Long Term	4.30	ACUITE BB Stable (Assigned)
	Cash Credit	Long Term	18.00	ACUITE BB Stable (Assigned)
	Working Capital Term Loan	Long Term	8.80	ACUITE BB Stable (Assigned)
	Working Capital Term Loan	Long Term	1.32	ACUITE BB Stable (Assigned)
	Proposed Bank Facility	Long Term	0.58	ACUITE BB Stable (Assigned)
	Cash Credit	Long Term	15.00	ACUITE BB Stable (Assigned)
	Term Loan	Long Term	2.00	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
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	33.00	ACUITE BB Reaffirmed & Withdrawn
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	3.80	Not Applicable Withdrawn
HDFC Bank Ltd	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	4.40	ACUITE BB Reaffirmed & Withdrawn
HDFC Bank Ltd	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	8.80	ACUITE BB Reaffirmed & Withdrawn

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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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