



Press Release
Jamuna Hatcheries Private Limited
March 26, 2024
Rating Downgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	94.00	ACUITE B+ Stable Downgraded	-
Total Outstanding Quantum (Rs. Cr)	94.00	-	-

Rating Rationale

Acuite has downgraded its long-term rating to '**ACUITE B+**' (read as **ACUITE B Plus**) from '**ACUITE BB-**' (read as **ACUITE Double B minus**) on the Rs.94.00 Cr. bank facilities of Jamuna Hatcheries Private Limited (JHPL ; part of Jamuna group). The outlook is '**Stable**'.

Rationale for downgrade

The rating downgrade is on account of deterioration in scale of operations and deterioration in its liquidity profile in the form of lower net cash accruals against its repayment obligations and high reliance on bank lines. Operating income declined in FY2023 with a de-growth of (48.73) percent as compared to FY2022. It stood at Rs. 65.90 Cr. in FY2023 as against Rs. 128.53 Cr. in FY2022. Net cash accruals (NCAs) stood at Rs.4.74 Cr. in FY2022 as against its maturing long term debt obligations in the range of Rs. 6.75 Cr. for the same period. Gross current asset (GCA) days stood at 644 days as on March 31, 2023 as against 297 days as on March 31, 2022.

The rating continues to factor in the extensive experience of the promoters of Jamuna Group of over a decade in the poultry sector. Albeit, the ratings are constrained by the Jamuna Group's financial risk profile and working capital intensive operations, stretched liquidity, profitability vulnerable to movement in raw material prices and exposure to cyclicality in the poultry industry.

About Company

Hyderabad-based, Jamuna Hatcheries Private Limited (JHPL) was incorporated in 2018. JHPL is promoted by Mrs. Etela Jamuna Reddy and her son Mr. Etela Nithin Reddy. JHPL is engaged in diversified operations such as commercial bird farming, operation of hatcheries and production of feed among others. It has a cumulative capacity to manage and place as much as 2.00 lakh layer birds and 1.05 Lakh hatching eggs per day and poultry feed mill capacity of 20 tons per hour.

About the Group

Jamuna Poultry Farm is a proprietorship firm which was established in 2010 by Mrs. E. Jamuna. JPF is engaged in production of commercial eggs and the poultry unit is located in Shamirpet (Telangana) with an average production of commercial eggs is about 1.30 lakhs eggs per day.

Unsupported Rating

Not applicable

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuité has consolidated the business and financial risk profiles of Jamuna Poultry Farm (JPF) and Jamuna Hatcheries Private Limited (JHPL) together referred to as the 'Jamuna Group' (JG). The consolidation is in view of the common management, strong operational & financial linkages between the entities. For the assessment of financial risk profile of Jamuna group, the unsecured loans (USL) to the extent of Rs. 46.51 Cr. from the promoter group have been treated as quasi equity as it is expected to remain in the business over a medium term. The USL from related parties are non-interest bearing and subordinated to external borrowings.

Key Rating Drivers

Strengths

- **Promoters' extensive experience in the Indian poultry industry**

Jamuna Group (JG) was established in 2010, it is a closely-held group promoted by Mrs. Etela Jamuna Reddy who has more than two decades in the poultry business. Mr. Etela Nithin Reddy 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 group 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. Acuité believes that promoter's established presence in the poultry industry and increasing demand in the Indian Poultry Industry will support JG's business profile over the medium term.

Weaknesses

- **Significant degrowth in scale of operations**

Jamuna Group's operating income declined in FY2023 with a degrowth of 48.73 percent as compared to FY2022. It stood at Rs. 65.90 Cr. in FY2023 as against Rs. 128.53 Cr. in FY2022. The reason behind decline in the scale of operations is high mortalities in Broiler integrated farms at Gajwel area due to the Virus attack (VVND) and further the other birds have not attained the requisite weight of minimum 2 Kg after 40-42 days and as such there was huge production loss. However, Profitability margin has shown increased trend from 12.40 percent in FY2022 to 22.23 percent in FY2023, the improvement in margins is on account of lower raw material cost. PAT margins has stood stable at 0.17 in FY2023 as against 0.17 percent in FY2022.

- **Below average financial risk profile**

The financial risk profile of the group is below average with moderate net worth, moderate gearing and below average debt protection metrics. The net worth of the company stood at Rs. 67.16 Cr. and Rs. 65.92 Cr. as on March 31, 2023 and 2022 respectively. The gearing of the group stood at 1.70 times as on March 31, 2023 as against 1.72 times as on March 31, 2022. Group's debt protection metrics is below average – Interest coverage ratio and debt service coverage ratio stood at 1.47 times and 0.88 times as on March 31, 2023 respectively as against 1.55 times and 1.01 times as on March 31, 2022 respectively. TOL/TNW stood at 2.16times and 2.04 times as on March 31, 2023 and 2022 respectively. The debt to EBITDA of the company stood at 7.77 times as on March 31, 2023 as against 7.12 times as on March 31, 2022. Acuité believes that the financial risk profile of the group is expected to remain below average over the medium term.

- **Working capital intensive operations**

The working capital management of the group remained intensive GCA days at 644

days as on March 31, 2023 as against 297 days as on March 31, 2022. GCA days affected due to high inventory days. Inventory days stood at 644 days as on March 31, 2023 as against 297 days as on March 31, 2022. The debtors day stood at 70 days as on March 31, 2023 as against 32 days as on March 31, 2022. Subsequently, the payable period stood at 288 days as on March 31, 2023 as against 77 days as on March 31, 2022 respectively. Further, the average bank limit utilization in the last six months ended Feb, 24 remained at ~91 percent for fund based.

- **Profitability vulnerable to movement in raw material prices and Exposure to cyclicality in the poultry industry**

Jamuna Group's profitability remains vulnerable to fluctuations in feed prices with maize/soya forming ~65–70% 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, government regulations (minimum support price). The Indian poultry industry has been periodically affected by record high feed prices and unfavourable broiler realisations. The highly volatile broiler realisations are a consequence of the seasonal nature of higher chick placements in the market from organised and unorganised players, leading to an oversupply and a sharp correction in realisations. Further, the company faces intense competition from organized as well as unorganized players catering to regional demands. Acuité believes that the company's business performance is susceptible to intense competition and inherent risks in the poultry industry and 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 and improvement in Profitability
- Stretch in working capital cycle leading to increase in working capital borrowing and weakening of financial risk profile and liquidity

Liquidity Position: Stretched

The group has generated inadequate net cash accruals to service its debt obligations. The net cash accruals stood at Rs.4.74 Cr in FY2023 as against the repayment of Rs.6.73 Cr for the same period and expected to generate cash accruals in the range of Rs.0.53-3.59 Cr. against CPLTD of Rs.8.45- 8.81 Cr. over the medium term. Unencumbered cash and bank balances stood at Rs. 0.26 Cr as on March 31, 2023. The current ratio of the group stood at 1.76 times as on March 31, 2023. Acuité believes that group 's liquidity will remain stretched over the medium term, although support from management for timely repayment of debt obligation is in place.

Outlook: Stable

Acuité believes that Jamuna Group's 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 group 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

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	65.90	128.53
PAT	Rs. Cr.	0.11	0.22
PAT Margin	(%)	0.17	0.17
Total Debt/Tangible Net Worth	Times	1.70	1.72
PBDIT/Interest	Times	1.47	1.55

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

Not applicable

Any Other Information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.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
30 Dec 2022	Cash Credit	Long Term	21.25	ACUITE BB- Stable (Downgraded from ACUITE BB Stable)
	Proposed Long Term Bank Facility	Long Term	6.38	ACUITE BB- Stable (Downgraded from ACUITE BB Stable)
	Term Loan	Long Term	20.72	ACUITE BB- Stable (Downgraded from ACUITE BB Stable)
	Term Loan	Long Term	20.57	ACUITE BB- Stable (Downgraded from ACUITE BB Stable)
	Term Loan	Long Term	17.63	ACUITE BB- Stable (Downgraded from ACUITE BB Stable)
	Working Capital Term Loan	Long Term	7.45	ACUITE BB- Stable (Downgraded from ACUITE BB Stable)
12 Oct 2021	Cash Credit	Long Term	15.50	ACUITE BB Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	0.05	ACUITE BB Stable (Assigned)
	Term Loan	Long Term	20.00	ACUITE BB Stable (Assigned)
	Term Loan	Long Term	23.50	ACUITE BB Stable (Assigned)
	Term Loan	Long Term	27.50	ACUITE BB Stable (Assigned)
	Working Capital Term Loan	Long Term	7.45	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
Canara Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	31.25	ACUITE B+ Stable Downgraded (from ACUITE BB-)
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	11.22	ACUITE B+ Stable Downgraded (from ACUITE BB-)
Canara Bank	Not avl. / Not appl.	Term Loan	04 May 2018	Not avl. / Not appl.	10 Aug 2027	Simple	15.59	ACUITE B+ Stable Downgraded (from ACUITE BB-)
Canara Bank	Not avl. / Not appl.	Term Loan	07 Feb 2020	Not avl. / Not appl.	28 Jul 2029	Simple	17.40	ACUITE B+ Stable Downgraded (from ACUITE BB-)
Canara Bank	Not avl. / Not appl.	Term Loan	02 Mar 2021	Not avl. / Not appl.	03 Dec 2029	Simple	16.89	ACUITE B+ Stable Downgraded (from ACUITE BB-)
Canara Bank	Not avl. / Not appl.	Working Capital Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	18 Sep 2024	Simple	1.65	ACUITE B+ Stable Downgraded (from ACUITE BB-)

*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)

1. Jamuna Poultry Farm

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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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