

Press Release

Neelkanth Poultry Farms Private Limited (Erstwhile Neelkanth Appliances Private Limited)



December 07, 2022

Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	4.50	ACUITE B Stable Assigned	-
Bank Loan Ratings	15.00	ACUITE B Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	19.50	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE B**' (read as **ACUITE B**) on the Rs.15.00 crore bank facilities of NEELKANTH POULTRY FARMS PRIVATE LIMITED (ERSTWHILE NEELKANTH APPLIANCES PRIVATE LIMITED) (NPFPL). The outlook is '**Stable**'.

Further Acuite has assigned a long-term rating of '**ACUITE B**' (read as **ACUITE B**) on the Rs. 4.50 crore bank facilities of NEELKANTH POULTRY FARMS PRIVATE LIMITED (ERSTWHILE NEELKANTH APPLIANCES PRIVATE LIMITED) . The outlook is '**Stable**'.

Rationale for rating reaffirmation

The rating reaffirmation consider the comforts drawn from experience of management. Acuite expects that the business profile and scale of operations is likely to improve over the medium term. However, the rating remains constrained on account of intensive working capital operations, below average financial risk profile, modest scale of operations and stretched liquidity position

About the Company

The company is a Delhi based company incorporated in 1997 and started its business into wholesale trading in RO purifiers in 2004. Due to internal reasons, the company shutdown that business in 2017. In 2018-19, the company entered into the business of layer poultry farming and is engaged into hatching and selling of eggs. The company started it's commercial operation from July-2020. The company is promoted by Mr. Manish Khandelwal.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of NPFPL to arrive at the rating.

Key Rating Drivers

Strengths

Experienced management

The promoter of the company Mr. Manish Khandelwal have a past experience of 2 decades in various industry. The promoter have past experience in the business of layer poultry farming and wholesale trading of egg and a vast range of technical expertise. Acuite believes that experienced management would help the company to generate healthy growth in revenue in the near medium term

Weaknesses

Revenue and Profitability

The company has recorded an operating income of Rs. 14.93 crore in FY2022 in comparison to Rs. 4.73 crores in FY 21. The commercial operation of the company started from July 2020. The operating margin of the company stood at 16.80 percent in FY2022 in comparison to 21.98 percent in FY 21. The Company incurred a net loss in FY 21 as the business was in the nascent stage.

Currently, the company has recorded a revenue of around Rs.8.27 crore till September 2022 and the company is expected to record a revenue of around Rs.~18 crore till FY2023.

Financial risk profile

The financial risk profile of the company stood weak marked by low tangible net worth of Rs.0.30 Cr. as on 31 March, 2022 as against Rs.0.00 crore as on 31 March, 2021. The Improvement in net worth is due to profits incurred during the year. The total debt of the company as on 31st March, 2022 stood at Rs.16.56 crore, which includes long term debt of Rs.12.51 crore, unsecured loan of Rs.2.24 crore and short term debt of Rs.1.81 crore

Further, the interest coverage ratio stood at 2.07 times for FY2022 as against 0.92 times in FY2021. Debt Service coverage ratio stood moderate at 2.09 times for FY2022 as against 0.87 times in FY2021. Total outside liabilities to total net worth (TOL/TNW) stood at 58.89 times as on FY2022 vis-à-vis 6842 times as on FY2021. However, Debt-EBITA stood at 5.45 times as on 31st March 2022 as against 15.43 times as on 31st March 2021.

Susceptibility of revenue and profitability to bird diseases

Bird flu and other diseases are critical risks in the poultry business, which can affect the demand and supply of the products, which ultimately can cause a prolonged impact on prices and profitability.

Rating Sensitivities

Improvement in the scale of operations along with stable profitability margins.

Stretch in the working capital management leading to any negative impact on the liquidity profile.

Material covenants

None

Liquidity Position

Stretched

The company has stretched liquidity marked by net cash accruals against maturing debt obligation. The company has an average bank limit utilization of around at ~75 percent during the last 6 months period ended September 2022. The company has maintained unencumbered cash and bank balances of Rs.0.30 crore as on March 31, 2022. The current ratio of the company stood moderate at 1.06 times as on March 31, 2022. Further debtors of Rs 0.11 crores are doubtful in nature (aging more than 3 years, total debtors as on 30.09.2022- Rs 0.78 crores)

Outlook: Stable

Acuité believes that the company will maintain a 'Stable' outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' if there is a substantial and sustained improvement in company's operating income or profitability while maintaining its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of further deterioration in working capital or weakening of its capital structure and debt protection metrics.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	14.93	4.73
PAT	Rs. Cr.	0.30	(1.09)
PAT Margin	(%)	1.98	(22.94)
Total Debt/Tangible Net Worth	Times	55.58	6616.65
PBDIT/Interest	Times	2.07	0.92

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>
- Entities In Manufacturing Sector:- <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
24 Feb 2022	Proposed Bank Facility	Long Term	0.05	ACUITE B Stable (Reaffirmed)
	Term Loan	Long Term	10.00	ACUITE B Stable (Reaffirmed)
	Cash Credit	Long Term	4.95	ACUITE B Stable (Reaffirmed)
27 Nov 2020	Term Loan	Long Term	10.00	ACUITE B Stable (Assigned)
	Proposed Bank Facility	Long Term	0.05	ACUITE B Stable (Assigned)
	Cash Credit	Long Term	4.95	ACUITE B 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
Indian Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	4.95	ACUITE B Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	0.05	ACUITE B Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	0.18	ACUITE B Stable Assigned
Indian Bank	Not Applicable	Term Loan	May 1 2019 12:00AM	10.50	May 1 2027 12:00AM	Simple	10.00	ACUITE B Stable Reaffirmed
Indian Bank	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	4.32	ACUITE B Stable Assigned

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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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