



Press Release
Neelkanth Poultry Farms Private Limited (Erstwhile Neelkanth Appliances Private Limited)
March 06, 2024

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

Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE B**' (read as **ACUITE B**) on the Rs.19.50 crore bank facilities of NEELKANTH POULTRY FARMS PRIVATE LIMITED (ERSTWHILE NEELKANTH APPLIANCES PRIVATE LIMITED) (NPFPL). 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.

Unsupported Rating

Not Applicable

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.

Revenue and Profitability

The company has recorded an operating income of Rs. 17.68 crore in FY2023 in comparison to Rs. 14.93 crores in FY 22. The commercial operation of the company started from July 2020. The

operating margin of the company stood at 16.19 percent in FY23 in comparison to 16.80 percent in FY 22.

Working Capital Operations

Company has moderate working capital requirements as evident from gross current assets (GCA) of 53 days in FY2023 as compared to 72 days in FY2022. Debtor days improved to 12 days in FY2023 as against 14 days in FY2022. Inventory days Improved to 40 days in FY2023 as against 46 days in FY2022. Further, the current ratio of Company stood at 0.31 times as on March 31, 2023.

Weaknesses

Financial risk profile

The financial risk profile of the company stood weak marked by low tangible net worth of Rs.0.67 as on 31 March, 2023 as against Rs.0.30 crore as on 31 March, 2022. The Improvement in net worth is due to profits accrued during the year.

Further, the interest coverage ratio stood at 2.15 times for FY2023 as against 2.07 times in FY2022. Debt Service coverage ratio stood at 1.11 times for FY2023 as against 2.09 times in FY2022. Total outside liabilities to total net worth (TOL/TNW) stood at 29.33 times as on FY2023 vis-à-vis 58.89 times as on FY2022. Further, Debt-EBITA stood at 5.34 times as on 31st March 2023 as against 5.45 times as on 31st March 2022.

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.

Liquidity Position

Stretched

The company has stretched liquidity marked by net cash accruals against maturing debt obligation. Company generated cash accruals of Rs ~1.75 crore against debt obligation of Rs 1.43 crore. The company has maintained unencumbered cash and bank balances of Rs.0.11 crore as on March 31, 2023. The current ratio of the company stood low at 0.31 times as on March 31, 2023.

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 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	17.68	14.93
PAT	Rs. Cr.	0.37	0.30
PAT Margin	(%)	2.10	1.98
Total Debt/Tangible Net Worth	Times	25.61	55.58
PBDIT/Interest	Times	2.15	2.07

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>
- Entities In Manufacturing Sector:- <https://www.acuite.in/view-rating-criteria-59.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.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. Acuité'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
07 Dec 2022	Cash Credit	Long Term	4.95	ACUITE B Stable (Reaffirmed)
	Term Loan	Long Term	10.00	ACUITE B Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	0.05	ACUITE B Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	0.18	ACUITE B Stable (Assigned)
	Working Capital Term Loan	Long Term	4.32	ACUITE B Stable (Assigned)
24 Feb 2022	Proposed Long Term 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)

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 avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	4.95	ACUITE B Stable Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.23	ACUITE B Stable Reaffirmed
Indian Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	15 Oct 2027	Simple	10.00	ACUITE B Stable Reaffirmed
Indian Bank	Not avl. / Not appl.	Working Capital Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	15 Nov 2026	Simple	4.32	ACUITE B 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.

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