



## Press Release

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

October 21, 2024

### Rating Downgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	19.50	ACUITE D   Downgraded	-
Total Outstanding Quantum (Rs. Cr)	19.50	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

### Rating Rationale

Acuite has downgraded its long-term rating to '**ACUITE D**' (read as **ACUITE D**) from '**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).

#### Rationale for rating

The rating revision is on account of delay in repayment of working capital term loan (GECL Loan) by the company in August 2024 and September 2024 as per the reporting in CRIF High Mark report. Acuite continues to 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 its 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 crore 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**

**Delay in term loan repayment**

The company made a delay in repayment of working capital term loan (GECL Loan) in August 2024 and September 2024 as per the reporting in CRIF High Mark report.

**Financial risk profile**

The financial risk profile of the company stood weak marked by low tangible net worth of Rs.0.67 Cr. 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**

- Change in the scale of operations along with stable profitability margins
- Movement in the working capital operations leading to 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: Not Applicable****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>
- 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, 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](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
06 Mar 2024	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	0.23	ACUITE B   Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	4.32	ACUITE B   Stable (Reaffirmed)
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	Quantum (Rs. Cr.)	Complexity Level	Rating
Indian Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	4.95	Simple	ACUITE D   Downgraded ( from ACUITE B )
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	0.23	Simple	ACUITE D   Downgraded ( from ACUITE B )
Indian Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	15 Oct 2027	10.00	Simple	ACUITE D   Downgraded ( from ACUITE B )
Indian Bank	Not avl. / Not appl.	Working Capital Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	15 Nov 2026	4.32	Simple	ACUITE D   Downgraded ( from ACUITE B )

## Contacts

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### About Acuité Ratings & Research

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