



## Press Release

### M/s Mulpuri Poultries

August 22, 2020

#### Rating

Sl. No.	Facility	Amount (Rs. Crore)	Rating	Rating Action
1.	Long term Bank Facilities	18.42 (reduced from 20.00)	IVR BB+; Stable (IVR Double B Plus with Stable outlook)	Revised from IVR BB/Stable outlook and removed from 'Issuer Not Cooperating'
	<b>Total</b>	<b>18.42</b> <b>(Rs. Eighteen crore and Forty Two lakh Only)</b>		

Details of Facilities are in Annexure 1

#### Detailed Rationale

The rating has been removed from the 'ISSUER NOT COOPERATING' category as the firm has now submitted the information required for the rating exercise. In a review of the information, the rating takes cognisance of the long track record of operation of the firm under its experienced promoters, large size of operations compared to industry standards, continued comfortable capital structure & debt protection parameters and favourable demand prospects for poultry sector across India. These rating strengths are however, remain constrained by vulnerability of profit to raw material price movements, customer concentration risk, high working capital utilization and presence in highly fragmented & competitive poultry industry with exposure towards risk of disease outbreaks marked by past instances of outbreaks of bird flu. The rating also notes moderation in financial performance of the firm marked by decline in scale of operations and moderation in profitability in FY20 (Prov.).

#### Rating Sensitivities

##### Upward factors

- Growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals and debt protection metrics on a sustained basis
- Improvement in liquidity with reduction in working capital limit utilisation

##### Downward Factors

- Dip in operating income and/or profitability impacting the debt protection metrics with deterioration in the interest coverage ratio to below 1.5x



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- Deterioration in the capital structure with overall gearing over 1.5x
- Deterioration in the liquidity position

### **Detailed Description of Key Rating Drivers**

#### **Key Rating Strengths**

##### **Experienced promoters with long track record of operation**

Mulpuri Poultries (MP) was established in December, 2003. The partners Mr. Lakshmana Swamy Mulpuri and Mr. Hari Mulpuri are involved in the family business of poultry as the main line of business since 1982. The partners have diversified business interests primarily in agro, poultry and fisheries. In the year 2003, they started MP with three thousand birds, and currently they have a capacity of 10 lakh birds.

##### **Large size of operations compared to industry standards**

MP has a large size of operations compared to industry standards with a net sale and PAT of ~Rs.82 crore & Rs.0.61 crore respectively in FY20 (prov.). The firm expanded their operations from Andhra Pradesh to other neighbouring states as well as to north east India & West Bengal.

##### **Comfortable capital structure & debt protection parameters**

The capital structure of the firm remained comfortable with satisfactory tangible net worth at Rs.49.11 crore as on March 31, 2020 (Prov.). Further, the overall gearing ratio continued to remain comfortable at 0.38x as on March 31, 2020 (Prov.) and improved from 0.42x as on March 31, 2019, driven by repayment of term loan and accretion of profit to net worth. Total indebtedness also remained comfortable with TOL/TNW at 0.99x as on March 31, 2020 (Prov.). Interest coverage ratio also remain satisfactory at 2.51x during FY20 (Prov.).

##### **Favourable demand prospects for poultry sector across India**

The domestic poultry sector has seen strong growth in the last three years with the growth trend likely to continue in the medium-term on the back of favourable socio-economic and demographic factors. Moreover, supply side factors like increased contract farming across the country and sizeable investments by poultry integrators in increasing breeding/ hatching capacity are expected to contribute to the growth momentum. However currently, the prices



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of eggs are witnessing an upward trend, which will help the companies to get benefited from various operational efficiencies and prevailing business dynamics.

### **Key Rating Weaknesses**

#### **Moderation in the financial performance**

During FY20 (Prov.), total operating income of the firm dampened by ~12% with moderation in EBITDA and PAT. The moderation in the total operating income was due to lower demand in last quarter of FY20 as a rumour on virus spread by animal foods during initial stage of Covid-19 pandemic across India. With decline in topline coupled with increase in animal feeds price (maize etc.), profit level and margins have also deteriorated in FY20 (Prov.) which led to deterioration in gross cash accruals. During Q1FY21, the firm has earned a total revenue of around ~Rs.25.00 crore.

#### **Vulnerability of profits to raw material price movements**

MP's margins stand exposed to volatility in prices of maize and soya which are the key raw materials. The prices of these raw materials are in turn dependent on agro-climatic conditions, international prices and demand from the poultry sector. Perishable nature of the products and seasonal demand result in volatile realizations.

#### **Customer concentration risk**

The top ten clients accounted for ~70% of the firm's total operating income in FY20 indicating concentrated customer base. However, the firm has long relationships with most of the clients.

#### **High working capital utilization**

The firm's average utilisation of its working capital limits during last twelve months ended June 2020 was high at ~99%.

#### **Presence in highly fragmented & competitive poultry industry with exposure towards risk of disease outbreaks**



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Poultry eggs and meats are food articles of regular consumption and stable demand. This feature of poultry farm business along with low entry barriers attracts many unorganised and organised players and make the sector highly competitive. Further, disease outbreaks may also impact the revenues as well as profitability of the firm.

**Analytical Approach:** Standalone

**Applicable Criteria:**

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-Financial Sector)

**Liquidity: Adequate**

MP earned a gross cash accrual of Rs.2.69 crore in FY19 and Rs.1.72 crore in FY20 (provisional). Further, the firm is expected to earn gross cash accruals of ~ Rs2.50 crore as against its debt repayment obligation of around Rs1.44 crore in FY21. Accordingly, the liquidity position of the firm is expected to remain adequate in the near to medium term. However, the average cash credit utilisation of the firm remained high at ~99% during the past 12 months ended June, 2020 indicating a low liquidity cushion. The firm has availed Covid related moratorium from its lenders as per the RBI guidelines.

### About the Firm

Mulpuri Poultryies (MP) was established in December, 2003 in Krishna district of Andhra Pradesh. The partners, Mr. Lakshmana Swamy Mulpuri and Mr. Hari Mulpuri are involved in the family business of poultry as the main line of business since 1982. The partners has presence in diversified business primarily in agro, poultry and fisheries. In the year 2003, they started MP with 3000 birds, and currently they have an increased capacity of 10 lakh birds.

The poultry farm is divided into 5 locations across the district. MP supply their eggs on pan India basis, to northeast regions, Kolkata, and to southern India. In addition, to selling eggs, the firm also sells cull birds, after their inability to reproduce. The day to day affairs of the firm is looked after by Mr. Hari Mulpuri, Partner.

### **Financials (Standalone):**

	(Rs. crore)	
For the year ended* / As On	31-03-2019	31-03-2020
	Audited	Provisional
Total Operating Income	93.08	81.66



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EBITDA	5.22	4.52
PAT	1.56	0.61
Total Debt	20.34	18.78
Tangible Net worth	48.50	49.11
EBITDA Margin (%)	5.61	5.53
PAT Margin (%)	1.67	0.74
Overall Gearing Ratio (x)	0.42	0.38

*\*Classification as per Infomerics' standards*

**Status of non-cooperation with previous CRA: Nil**

**Any other information: Nil**

**Rating History for last three years:**

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years			
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1	Term Loan	Long Term	3.11	IVR BB+/ Stable	IVR BB/ Stable; ISSUER NOT COOPERATI NG (June 02, 2020)	-	IVR BB+ /Stable (Mar 18, 2019)	-
2	Cash Credit	Long Term	15.31	IVR BB+/ Stable	IVR BB/ Stable; ISSUER NOT COOPERATI NG (June 02, 2020)	-	IVR BB+ /Stable (Mar 18, 2019)	-

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).

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### About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

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### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based Limits – Term Loan	-	-	Dec 2021	3.11	IVR BB+/Stable
Long Term Fund Based Limits – Cash Credit	-	-	-	15.31	IVR BB+/Stable