

January 15, 2015

Facilities	Amount (Rs. Crore)	Rating
Term Loan	5.00	SMERA BB+/Stable (Assigned)
Cash Credit	4.00	SMERA BB+/Stable (Assigned)
Cash Credit (proposed)	3.00	SMERA BB+/Stable (Assigned)

SMERA has assigned a rating of '**SMERA BB+**' (read as **SMERA double B plus**) to the Rs.12.00 crore long-term bank facilities (including Rs.3.00 crore proposed long-term bank facility) of Anupama Feeds and Farms (AFF). The outlook is '**Stable**'. The rating is supported by the firm's integrated operations, strong revenue growth, healthy financial profile and experienced management. However, the rating is constrained by the firm's moderate net worth and modest-scale operations. The rating is also constrained by geographic concentration of the firm's revenues. The rating notes that the firm is exposed to the risks of intense competition and outbreaks of poultry diseases. Moreover, the firm's financial profile is susceptible to raw material price volatility and withdrawal of capital.

AFF, established in 2005, is a Mangalore-based partnership firm engaged in poultry business. AFF's integrated operations include manufacturing of poultry feed, rearing of broiler chicks and processing of chicken. The firm's revenues have grown at a strong compound annual growth rate (CAGR) of ~38 per cent over the past five years. AFF's healthy financial profile is marked by operating profit margin of 7.93 per cent in FY2013-14 (refers to financial year, April 01 to March 31). The firm's gearing (debt-to-capital) ratio is moderate at 1.95 times as on March 31, 2014. AFF's healthy coverage indicators are reflected in interest coverage ratio of 4.50 times and net cash accruals to total debt (NCA/TD) ratio of 0.28 times in FY2013-14. The firm benefits from its experienced management. Mr. Vincent Cutinha, partner of AFF, has around ten years of experience in the poultry industry.

AFF's net worth is moderate at Rs.4.57 crore as on March 31, 2014. The firm has modest-scale of operations marked by revenue of Rs.53.11 crore in FY2013-14. AFF's operations are concentrated in the Mangalore region. The firm faces intense competition from several players in the poultry business. AFF's business is susceptible to outbreaks of poultry diseases. The firm's profit margins are exposed to volatility in raw material prices. Moreover, AFF's financial profile is susceptible to withdrawal of capital by partners.

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### Outlook: Stable

SMERA believes AFF will maintain a stable business risk profile over the medium term. The firm will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the firm registers significant and sustained growth in revenues and profit margins while achieving improvement in capital structure. Conversely, the outlook may be revised to 'Negative' in case of significant decline in the firm's revenues or profit margins, or in case of deterioration in the firm's working capital management and financial risk profile.

### About the firm

AFF was established as a proprietorship concern promoted by Mr. Vincent Cutinha in 2005. The firm was later converted into a partnership entity. AFF undertakes manufacturing of poultry feed, rearing of broiler chicks and processing of chicken. The firm has five retail outlets in the Mangalore region. AFF also sells chicken on wholesale basis.

For FY2013-14, AFF reported profit after tax (PAT) of Rs.1.36 crore on operating income of Rs.53.12 crore, as compared with PAT of Rs.0.85 crore on operating income of Rs.42.03 crore in FY2012-13. The firm's net worth stood at Rs.4.57 crore as on March 31, 2014, as compared with Rs.3.33 crore a year earlier.

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