

S.N.N. Poultry Farm: Assigned

Facilities	Amount (Rs Crore)	Rating/Outlook
Cash Credit	5.50	SMERA B/Stable (Assigned)
Term Loan	1.32	SMERA B/Stable (Assigned)

SMERA has assigned long term rating of '**SMERA B' (read as SMERA B)** to the above mentioned bank facilities of S.N.N. Poultry Farm (SPF). The outlook is '**Stable**'. SMERA has consolidated the business and financial risk profiles of Tulasi Poultry Farm and SPF, together referred to as the S. N. N. Group. The consolidation is in view of the common ownership and operational linkages within the group.

The rating is supported by the group's established track record of operations, experienced management and stable revenue growth rate. Further, the rating also notes the improvement in the operating profit margins. However, the rating is constrained by the below average financial risk profile, cyclical nature of the poultry industry and exposure to outbreaks of bird flu and other diseases. The rating also factors in the susceptibility of profit margins to volatility in broiler prices.

The S. N. N. Group is headed by partners, Mr. S N Narayanasamy, Mr. S.N.Nithyanandhan & Mr. S N Swaminathan, who possess extensive experience of around two decades in the poultry industry. The group's business profile is integrated considering the commonality of activities such as breeding and selling of broiler birds and eggs. The group's revenue grew at a compounded annual growth rate (CAGR) of 14.41 per cent from FY2012-13 to FY2015-16. It registered operating income of Rs.37.96 crore in FY2015-16 (Provisionals) as compared to Rs.36.85 crore in FY2014-15. As per FY2015-16 (Provisionals), EBIDTA margins improved to 7.24 per cent as compared to 6.80 per cent in FY2014-15 on account of decline in raw material costs.

The financial risk profile of S. N. N. Group is below average marked by low net worth of Rs.4.49 crores as on 31 March 2016 (Provisionals). The gearing stands at 3.10 times as on March 31, 2016 (Provisional). The group's cash accruals are tightly matched with its repayment obligations. As against yearly repayment obligations of around Rs.1.25 crore, the group is expected to generate cash flows in the range of Rs.1.3 crore – Rs.1.6 crore. ICR stands at 1.89 times as on March 31, 2016 (Provisionals) as compared to 1.73 times as on 31 March 2015.

S. N. N. Group operates in a cyclical industry on account of outbreaks of bird flu and other diseases which can affect demand and cause prolonged impact on margins and turnover. The group's margins are also susceptible to volatility in feed and broiler prices inherent in the poultry business.

Rating Sensitivity Factors

- Scaling up operations while maintaining operating margins
- Improvement in coverage indicators and capital structure

Outlook-Stable

SMERA believes that the S. N. N. group will continue to maintain a stable outlook and benefit over the medium term from its promoters' extensive experience in the poultry business. The outlook may be revised to 'Positive' in case of significant and sustained increase in revenues and profitability margins, while improving the capital structure. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues or profitability margins.

Criteria applied to arrive at the rating

- Trading Entities
- Consolidation

About the Group

The S. N. N. Group comprises two entities viz. S. N. N. Poultry and Tulasi Poultry Farm that are engaged in the poultry business of breeding and selling broiler birds and eggs.

In FY2014-15, the group reported profit after tax (PAT) of Rs.0.37 crore on operating income of Rs.36.85 crore, as compared to PAT of Rs.0.50 crore on operating income of Rs.35.64 crore in the previous year. Further, as per FY2015-16 (Provisionals), PAT stands at Rs.0.39 crore on operating income of Rs.37.96 crore.

About the Firms

S. N. N. Poultry Farm and Tulasi Poultry Farm, partnership firms, were incorporated in 1989 and 2000 respectively, by Mr. S N Narayanasamy, Mr. S.N. Nithyanandhan and Mr. S N Swaminathan. The firms are engaged in the poultry business at Coimbatore.

Contacts:

Analytical	Business Development
Mr. Mohit Jain Vice President – Ratings Operations, Tel: +91-22-6714 1105 Cell: 9619911017 Email: mohit.jain@smera.in	Mr. Suman M Vice President – Business Development, Corporate Ratings Tel: +91-22-6714 1151 Cell: +91-9892306888 Email: suman.m@smera.in

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details, please visit www.smera.in.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.