

Tulasi Poultry Farm: Assigned

Facilities	Amount (Rs Crore)	Rating/Outlook
Cash Credit	5.50	SMERA B/Stable (Assigned)
Term Loan	1.47	SMERA B/Stable (Assigned)

SMERA has assigned the long term rating of '**SMERA B (read as SMERA B)**' to the above mentioned bank facilities of Tulasi Poultry Farm (TPF). The outlook is '**Stable**'. SMERA has consolidated the business and financial risk profiles of Tulasi Poultry and S. N. N. Poultry Farms referred to as S. N. N. Group. The consolidation is in the view of 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 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 crore 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 ICR of 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 impact 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

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 its capital structure. Conversely, the outlook may be revised to 'Negative' in case of a significant decline in revenues or profitability margins.

Criteria applied to arrive at the rating:

- Trading Entities
- Consolidated

About the Group

S. N. N. Group comprises two entities viz. S. N. N. Poultry and Tulasi Poultry Farm, engaged in poultry business. The group engages into breeding and selling of broiler birds and eggs.

In FY2014-15, 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.

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ABOUT SMERA

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