

July 20, 2015

Facility	Amount (Rs. Crore)	Rating
Term Loan	1.20	SMERA BB/Stable (Assigned)
Cash Credit	7.50	SMERA BB/Stable (Assigned)
Short Term Loan	2.25	SMERA A4+ (Assigned)
Proposed Facilities	0.05	SMERA BB/Stable (Assigned)

SMERA has assigned a rating of '**SMERA BB**' (**read as SMERA double B**) and a short-term rating of '**SMERA A4+**' (**read as SMERA A four plus**) to the above mentioned Rs.11.00 crore bank facilities (including the proposed Rs.0.05 crore) of Ku-Koo-Ch-Ku Poultry Farm (KPF). The outlook is '**Stable**'. The rating is supported by the firm's experienced management, strong revenue growth, and moderate financial profile. However, the rating is constrained by the susceptibility of profit margins to raw material price volatility and the likelihood of an outbreak of poultry diseases. The rating is also constrained by the firm's exposure to intense market competition and low return on capital employed (RoCe).

KPF, established in 1988, is a Mumbai-based firm engaged in the poultry business. The firm is promoted by Mr. Dilip Pathre who has more than two decades of experience in the business. KPF booked revenue of Rs.45.19 crore in FY2014-15 (provisional) as compared to Rs.32.05 crore in the previous year, a growth of ~41 per cent on account of higher offtake. The company's average financial profile is marked by moderate gearing of 1.79 times as on March 31, 2014. KPF's healthy coverage indicators are reflected in the interest coverage ratio of 2.30 times and net cash accruals to total debt of 0.09 times in FY2013-14. The net worth of the company is moderate at Rs.4.14 crore as on March 31, 2014.

However, KPF's profit margins are exposed to volatility in raw material prices. Also, outbreak of bird flu or other poultry diseases can affect the company's margins severely. KPF has booked RoCe of 8.27 times in FY2014.

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Outlook: Stable

SMERA believes that KPF will continue to benefit over the medium term from its promoters' extensive experience in the poultry business. The outlook may be revised to 'Positive' in case of a sustained increase in the firm's revenues, profitability margin and healthy return on capital employed. Conversely, the outlook may be revised to 'Negative' in case of a significant decline in revenues or profitability margins.

About the Company

KPF, setup in 1988, is engaged in the poultry business and has its farms and feed unit at Raigad district, Maharashtra. The day-to-day operations of the firm are managed by Mr. Dilip Pathre and his son Mr. Kunal Pathre.

KPF reported profit after tax (PAT) of Rs.0.33 crore (provisional) on operating income of Rs.45.82 crore (provisional) for FY2014-15, as compared with PAT of Rs.0.09 crore on operating income of Rs.32.05 crore in FY2013-14. The company's net worth stood at Rs.4.14 crore as on March 31, 2014.

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