

Ku-Koo-Ch-Ku Poultry Farm: Upgraded

Facilities	Amount (Rs Crore)	Ratings/Outlook
Cash Credit	7.50	SMERA BB+/Stable (Upgraded from SMERA BB/Stable)
Term Loan	1.20	SMERA BB+/Stable (Upgraded from SMERA BB/Stable)
Short Term Loan	2.25	SMERA A4+ (Reaffirmed)
Proposed Facilities	0.05	SMERA BB+/Stable (Upgraded from SMERA BB/Stable)

SMERA has upgraded the long term rating on the Rs.11.00 crore bank facilities of Ku-Koo-Ch-Ku Poultry Farm (KPF) to **'SMERA BB+' (read as SMERA double B plus)** from 'SMERA BB' and reaffirmed the short term rating of **'SMERA A4+' (read as SMERA A four plus)**. The outlook is **'Stable'**.

The upgrade reflects improvement in the company's financial risk profile, healthy revenue growth and improvement in margins. The ratings continue to draw comfort from the experienced management and long track record of operations. However, the ratings are constrained by the susceptibility of profit margins to volatility in raw material prices, risks related to outbreak of poultry diseases and intense market competition.

Update

KPF, established in 1988, is a Mumbai-based firm engaged in the poultry business. Revenues of the firm increased from Rs.32.05 crore in FY2013-14 to Rs.45.51 crore in FY2014-15. Further, as per provisional financials for FY2015-16, revenues increased to Rs.56.41 crore. The EBITDA margins improved to 5.18 per cent in FY2014-15 from 4.34 per cent in FY2013-14. As per provisional financials, EBITDA margins stood at ~6.10 per cent in FY2015-16. KPF has a moderate financial risk profile as reflected in the gearing of 2.33 times as on March 31, 2015. However as per provisional financials, the gearing has improved to 1.50 times as on March 31, 2016. The interest coverage ratio stood at 2.62 times in FY2014-15 as compared to 1.97 times in FY2013-14.

However, KPF's profit margins are exposed to volatility in raw material prices. Also, outbreak of bird flu or other poultry diseases can affects the firm's margins severely.

Rating Sensitivity Factors

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

Outlook-Stable

SMERA believes that KPF 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.

About the Company

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

In FY2014-15, KPF reported profit after tax (PAT) of Rs.0.79 crore on operating income of Rs.45.51 crore, as compared to PAT of Rs.0.09 crore on operating income of Rs.32.05 crore in the previous year.

Rating History

Date	Facilities	Amount (Rs. Crore)	Ratings		Rating/ Outlook
			Long Term	Short Term	
20 July, 2015	Cash Credit	7.50	SMERA BB (Assigned)	-	Stable
	Term Loan	1.20	SMERA BB (Assigned)	-	Stable
	Short Term Loan	2.25	-	SMERA A4+ (Assigned)	-
	Proposed Facilities	0.05	SMERA BB (Assigned)	SMERA A4+ (Assigned)	Stable

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ABOUT SMERA

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