

Press Release

Ku-Koo-Ch-Ku Poultry Farm

October 24, 2017



Rating Assigned and Reaffirmed

Total Bank Facilities Rated*	Rs. 15.00 Cr. (Enhanced from Rs. 11.00 Cr.)
Long Term Rating	SMERA BB+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA BB+** (read as SMERA BB plus)' on the Rs. 10.00 crore and assigned long term rating of '**SMERA BB+** (read as SMERA BB plus)' on the Rs. 5.00 crore bank facilities of Ku-Koo-Ch-Ku Poultry Farm. The outlook is '**Stable**'.

Ku-Koo-Ch-Ku Poultry Farm (KPF), established in 1988 is engaged in the poultry business. The firm has its farm and feed unit at Raigad district, Maharashtra. The day-to-day operations are managed by Mr. Dilip Pathre and his son, Mr. Kunal Pathre.

Key Rating Drivers

Strengths

- Long track record of operations and experienced management**

The firm is engaged in the poultry business since 1988. The day-to-day operations are led by Mr.Dilip Pathre and Mr.Kunal Pathre. Mr. Pathre has more than two decades of experience in the business.

- Moderate debt coverage indicators**

KPF has moderate financial risk profile marked by networth of Rs.10.52 crore as on 31 March, 2017 (Provisional) compared to Rs.6.77 crore as on 31 March, 2016. The debt to equity ratio stood at 1.44 times as on 31 March, 2017 compared to 1.48 times as on 31 March, 2016. The interest coverage ratio stood at 3.10 times for FY2017 compared to 2.68 times in FY2016.

- Healthy revenue growth**

KPF has healthy year-on-year revenue growth. The firm booked revenue of Rs.73.81 crore in FY2017, Rs.56.50 crore in FY2016 and Rs.45.51 crore in FY2015 registering CAGR of 38 percent from FY2013 to FY2016.

Weaknesses

- Cyclical, exposure to diseases**

The profit margins are susceptible to cyclical in the industry. Besides, bird flu and other diseases are critical risks in the business, which can impact prices and affect demand.

- Susceptibility of profit margins to volatility in broiler prices**

The profit margins are susceptible to volatility in broiler prices - inherent in the poultry business.

Analytical Approach

SMERA has considered the standalone financial and business risk profile of the firm to arrive at the rating.

Outlook: Stable

SMERA believes that KPF will maintain a stable outlook over the medium term owing to 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 Rated Entity - Key Financials

In FY2016-17 (Provisional), KPF reported profit after tax (PAT) of Rs.1.53 crore on operating income of Rs.73.81 crore, compared to PAT of Rs.1.37 crore on operating income of Rs.56.50 crore in the previous year. The networth of the firm stood at Rs.10.52 crore as on 31 March, 2017 (Provisional) as against Rs.6.77 crore as on 31 March, 2016.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smerra.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smerra.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
09-Aug-2016	Cash Credit	Long Term	INR 7.5	SMERA BB+ / Stable
	Term Loan	Long Term	INR 1.2	SMERA BB+ / Stable
	Short Term loan	Short Term	INR 2.25	SMERA A4+
	Proposed Facilities	Long Term	INR 0.05	SMERA BB+ / Stable
20-Jul-2015	Term Loan	Long Term	INR 1.2	SMERA BB / Stable
	Cash Credit	Long Term	INR 7.5	SMERA BB / Stable
	Short Term loan	Short Term	INR 2.25	SMERA A4+
	Proposed facilities	Long Term	INR 0.05	SMERA BB / Stable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA BB+ / Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	1.20	SMERA BB+ / Stable (Withdrawn)
Short Term Loan	Not Applicable	Not Applicable	Not Applicable	2.25	SMERA A4+ (Withdrawn)
Term Loan	Not Applicable	Not Applicable	Not Applicable	2.65	SMERA BB+ / Stable (Assigned)
Term Loan	Not Applicable	Not Applicable	Not Applicable	2.35	SMERA BB+ / Stable (Assigned)

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ABOUT SMERA

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