

February 18, 2015

Facilities	Amount (Rs. Crore)	Ratings
<b>Cash Credit</b>	<b>4.00</b>	<b>SMERA BB-/Stable</b> <b>(Upgraded from SMERA B+/Stable)</b>
<b>Term Loan</b>	<b>0.90</b>	<b>SMERA BB-/Stable</b> <b>(Upgraded from SMERA B+/Stable)</b>
<b>Short Term Loan</b>	<b>2.00</b>	<b>SMERA A4 (Reaffirmed)</b>

SMERA has upgraded the bank loan rating of Swathi Hatcheries (SH) to '**SMERA BB-**' from '**SMERA B+**'. The short-term rating is reaffirmed at '**SMERA A4**'. The outlook is '**Stable**'. The upgrade reflects substantial increase in revenue and operating margins of the firm. The upgrade also reflects the firm's healthy financial risk profile and experienced management. However, the ratings are constrained by the firm's exposure to intense competition in the poultry industry. The ratings note that the firm's business is susceptible to outbreaks of poultry diseases and other risks inherent in the poultry industry. The ratings are also constrained by the susceptibility of the firm's profit margins to volatility in raw material prices.

## Update

SH's revenues increased from Rs.84.85 crore in FY2012-13 (refers to financial year, April 01 to March 31) to Rs.94.51 crore in FY2013-14. The firm's healthy financial risk profile is marked by gearing (debt-to-capital ratio) of 0.71 times as on March 31, 2014 and interest coverage ratio of 2.85 times in FY2013-14. SH has a comfortable working capital cycle of 12 days in FY2013-14. The firm's profit margins are highly susceptible to volatility in prices of raw material (bird feed). Moreover, SH's business operations are susceptible to outbreaks of poultry diseases and other such risks inherent in the poultry industry.

## Outlook: Stable

SMERA believes SH will maintain a stable business risk profile over the medium term. The outlook may be revised to 'Positive' in case the firm registers sustained growth in scale of operations while achieving substantial improvement in profitability. The outlook may be revised to 'Negative' in case the firm reports lower-than-expected revenues and profitability.

## About the firm

SH, established in 1990, is a Coimbatore-based partnership firm engaged in poultry farming. SH has seven sheds with 22 incubators and 11 hatcheries. The overall operations of the firm are managed by Mr. Chinnasamy and Mr. C. Saravanan (son of Mr. Chinnasamy).

For FY2013-14, SH reported profit after tax (PAT) of Rs.0.27 crore on operating income of Rs.94.51 crore, as compared with PAT of Rs.0.15 crore on operating income of Rs.84.85 crore in FY2012-13. The firm registered revenues of Rs.48.99 crore (as per sales tax returns) during April 2014 to September 2014. SH's net worth stood at Rs.10.11 crore as on March 31, 2014, as compared with Rs.9.53 crore a year earlier.

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