

### Swathi Hatcheries: Upgraded

Facilities	Amount (Rs. Crore)	Rating/Outlook
Cash Credit	6.00	SMERA BB/Stable (Upgraded from BB-/Stable)
Term Loan	0.90	SMERA BB/Stable (Upgraded from BB-/Stable)

SMERA has upgraded the rating on the above mentioned facilities of Swathi Hatcheries (SH) to '**SMERA BB**' (read as **SMERA double B**) from '**SMERA BB-**' (read as SMERA double B minus). The outlook is '**Stable**'.

The rating upgrade is in view of the healthy revenue growth and improved operating margins. The rating continues to draw comfort from the experienced management, above average financial risk profile and efficient working capital management. However, the rating is constrained by the exposure of profit margins to fluctuations in prices of bird feed, susceptibility of operations to outbreak of poultry diseases and intense market competition.

#### Update

SH is engaged in the poultry business. The revenues of the firm improved to Rs.97.13 crore in FY2015-16 from Rs.92.99 crore in FY2014-15. The firm achieved revenue of Rs.68.32 crore for the period April 2016 to November 2016. The operating margins improved to 3.01 percent in FY2015-16 from 2.32 percent in FY2014-15 mainly on account of decline in raw material prices. The ROCE stood at 10.13 percent in FY2015-16.

SH's financial risk profile registered improvement with net worth of Rs.13.25 and gearing (debt-equity ratio) of 0.64 times as on March 31, 2016 as compared to net worth of Rs.10.98 crore and gearing of 0.60 times as on March 31, 2015. The interest coverage ratio improved to 3.66 times in FY2015-16 from 3.10 times in FY2014-15. The DSCR stood at 3.26 times for FY2015-16.

SH's working capital cycle remains comfortable at 21 days in FY2016 (PY: 6 days). Further, the Gross current assets (GCA) remain moderate at around 87 days for FY2016 and 76 days for FY2015. The cash credit average utilisation for six months ended October 2016 stands at 97.31 per cent.

#### Rating Sensitivity Factors

- Sustained improvement in the scale of operations and profitability
- Movement in gearing and capital structure
- Efficient working capital management

#### Outlook-Stable

SMERA believes that the firm would continue to maintain a stable outlook owing to the extensive experience of the promoters. The outlook may be revised to 'Positive' if the firm increases its scale of operations and operating profitability on a sustained basis with effective working capital management. Conversely, the outlook may be revised to 'Negative' in case of lower than expected revenues and profitability or if the financial risk profile deteriorates on account of stretched working capital cycle.

**Criteria applied to arrive at the rating:**

- Manufacturing Entities

**About the Firm**

SH established in 1990 is a Coimbatore (Tamilnadu) based firm engaged in poultry farming. The day-to-day operations are managed by Mr. Chinnasamy and Mr. C. Saravanan.

For FY2015–16, SH reported profit after tax (PAT) of Rs.0.84 crore on operating income of Rs.97.13 crore, as compared with PAT of Rs.0.31 crore on operating income of Rs.92.99 crore for FY2014–15.

**Rating History**

Date	Facilities	Amount (Rs. Crore)	Ratings		Rating Outlook
			Long Term	Short Term	
27 January, 2016	Cash Credit	6.00	SMERA BB- (Reaffirmed)	-	Stable
	Term Loan	0.90	SMERA BB- (Reaffirmed)	-	Stable
18 February, 2015	Cash Credit	4.00	SMERA BB- (Upgraded)	-	Stable
	Term Loan	0.90	SMERA BB- (Upgraded)	-	Stable
	Short Term Loan	2.00	-	SMERA A4 (Reaffirmed)	
16 January, 2014	Term Loan I	0.49	SMERA B+ (Assigned)	-	Stable
	Term Loan II	0.90	SMERA B+ (Assigned)	-	Stable
	Cash Credit	4.00	SMERA B+ (Assigned)	-	Stable
	Produce Term Loan	2.00	-	SMERA A4 (Assigned)	-
	Short Term Loan	0.50	-	SMERA A4 (Assigned)	-

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