



Rating Rationale

S M Star Hatcheries

11th August 2017

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of Rs.6.43 Crs of S M Star Hatcheries (“SM SH” or “the Firm”):

Particulars

Bank Facility	Previous Limits (₹ Cr)	Present Limits (₹ Cr)	Tenure	Previous Rating (May 2016)	Rating
Fund Based:					
Cash Credit	3.25	3.25	Long Term	BWR B+ (BWR B Plus)	BWR B+ (BWR B Plus)
Term Loan#	4.23	3.18		Outlook -Stable	Outlook- Stable <i>Reaffirmed</i>
Total	7.48	6.43	INR Six Crores and Forty Three Lakhs Only		

#Outstanding amount

* Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rating Reaffirmed:

Brickwork Ratings (BWR) has reaffirmed the ratings for the Bank Loan Facilities of S M Star Hatcheries.

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financial results of S M Star Hatcheries upto FY16, Provisional financials of FY 17, publicly available information and the information/clarifications provided by the firm.

The rating reaffirmation continues to factor the long experience of promoter in hatchery business for more than two decades, well established client base and favourable operating cycle. However, the rating remains constrained by the low scale of operations, fluctuation in raw material, (Chicks & feed grain), exposed to inherent risk related to hatchery business, intensely competitive and fragmented nature of the industry and working capital intensive nature of operations. Further, being a proprietorship concern, any significant withdrawals from the

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capital account by the Proprietor would adversely impact the capital structure of the firm, hence this remains a rating sensitivity.

Going forward, the ability of firm to increase the turnover levels and profitability, increase its scale of operations, improve its financial risk profile and manage its working capital efficiently will be the key rating sensitivities.

Rating Outlook: Stable

BWR believes the **S M Star Hatcheries** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Firm

S.M. Star Hatcheries is a proprietorship concern started in the year 2005 by Mr. Ameerul Hamza and its registered office situated at Nagamangala, Karnataka. The firm is into the hatchery business involved in the purchase of parent chicks, hatching eggs and selling chicks to the poultry farms. The firm has one breeding unit and one hatching unit, both of which are located in Nagamangala -Mandya district. SSMH uses breeding unit for keeping parent chicks and providing hygienic, nutritionally balanced feeds.

Firm's Financial Performance

The firm reported a net revenue from operations of Rs.18.44 Crores in FY16 and Rs. 19.52 Crores in (Provisional) FY17. Operating and net profit margins reported at 12.36 % and 3.59% in FY17 as against 13.06 % and 3.76 % in FY16. Partner's Capital of the firm stood at Rs 1.84 Crs as on March 31,2017 . The firm is reported high gearing level reflected from debt equity of 4.61 X in FY17. Debt Coverage indicator at satisfactory level reflected by ISCR of 2.75 times and DSCR of 1.38 times in FY17.



Rating History for the last three years

Sl. No.	Instrument/Facility	Current Rating (Year 2017)			Rating History		
		Type (Long Term/Short Term)	Amount (Rs Crs)	Rating	2016 May	2015 March	2014
1	Cash Credit	Long Term	3.25	BWR B+	BWR B+	BWR B+	NA
2	Term Loan		3.18				

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)

Analytical Contact	Media
<i>Mr. A.P. Kamath, General Manager and Chair Person (CP) – Ratings.</i> analyst@brickworkratings.com	media@brickworkratings.com
	Relationship Contact
	bd@brickworkratings.com
Phone: 1-860-425-2742	

Annexure

Key Paramaters	FY15 (Audited)	FY16 (Audited)	FY17 (Provisional)
Net Sales	11.55	18.44	19.52
EBITDA	1.58	2.41	2.41
PAT	0.62	0.70	0.70
Tangible Networkth	2.18	2.55	1.84
Total Debt: Tangible Networkth	4.06	3.68	4.61
Current Ratio	1.21	0.99	1.28



For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

DISCLAIMER

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