



September 23, 2010

ICRA revises the ratings for bank facilities of Uttara Foods and Feeds Private Limited

ICRA has revised the ratings assigned to the Rs. 35.97 crore¹ term loans and Rs. 25.5 crore fund based working capital facilities of Uttara Foods and Feeds Private Limited (UFFPL) from LBBB+(SO) to LA-(SO) (pronounced as L A minus Structured Obligation)[†]. ICRA has also revised the ratings assigned to Rs 0.35 crore short term loans and 1.5 crore non-fund based working capital limits of UFFPL from A2+(SO) to A1(SO) (pronounced A one Structured Obligation)[†]. The letter SO in parenthesis suffixed to a rating symbol stands for Structured Obligation. An SO rating is specific to the rated issue, its terms and its structure. SO ratings do not represent ICRA's opinion on the general credit quality of the issuers concerned.

The ratings take into account the recent revision in the ratings assigned to Venkateshwara Hatcheries Private Limited (VHPL- (revised from LBBB+/A2+ to LA-(stable)/A1) and the unconditional and irrevocable letter of guarantee given by VHPL. The ratings address the servicing of the loan to happen as per the terms of the underlying loan and the guarantee agreement. The ratings also assume that the guarantee will be duly invoked by the lender, as per the terms of the underlying loan and guarantee agreements, in case there is a default in payment by the borrower. In the event that the guarantor revokes the guarantee, the captioned rating will not apply in respect of any incremental exposure taken by the bank on the borrower, after the notice is sent by the guarantor. In that event, the rating on the facility will have to be reviewed. Further, in the case of the facility from Corporation Bank, the rating also assumes that the interest rate on the underlying facilities will not exceed the rate covered by the guarantee. In the event that the underlying rate exceeds the guaranteed rate, the rating on the facility will have to be reviewed.

About the company:

Uttara Foods and Feeds Private Limited (UFFPL) is a part of the Venkateshwara Hatcheries Group (VH) group which is the largest and most integrated poultry player in India with revenues of around Rs. 3000 crores as of FY10. The VH group was promoted by late Dr. B.V. Rao and started its operations in 1971 through Venkateshwara Hatcheries Private Limited, as a sole franchise in India of Babcock Farm Inc., Ithaca, New York, USA. The VH Group since then has pioneered the growth of the domestic poultry sector into an organized operation. UFFPL, commenced operations for manufacturing poultry feed in 1996 in order to further the groups involvement in the poultry industry, later on diversifying into other segments such as cattle feed, whole wheat flour, biscuits and hatchery. However, poultry feed is still the company's main line of business. As at 31st March 2010, the company's annual production capacity of 34800 MT places it as one of the largest commercial producer in the poultry feeds industry. Presently, the company three hatcheries and eight feed manufacturing plants in the country which have been located strategically (given the perishable nature of the product) in order to cater to poultry farmers located across the country.

For the year ended 31.03.2010, UFFPL's operating Income and PAT were Rs. 487.4 crore and Rs. 16.09 crore respectively.

About the guarantor

VHPL is a part of the VH group which is the largest and most integrated poultry player in India with revenues of ~Rs. 3000 crores as of FY10. The VH group was promoted by late Dr. B.V. Rao and started its operations in 1971 as a sole franchisee in India of Babcock Farm Inc., USA. The company's operations span the entire spectrum of poultry activities from pure-line breeding, grandparent and

¹100 lakh = 1 crore = 10 million

[†] For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.

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ICRA Limited

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parent breeding and sale of commercial day-old chicks (DOCs) to contract commercial farming. VHPL also has significant presence in related segments like animal vaccines and egg powder. The company derives 90% of its business from poultry and poultry products with rest coming from Vaccine and egg powder division. Within poultry division it is involved in commercial broiler farming (CBF), DOC (broiler and layer day old chicks) and poultry feed manufacturing with CBF accounting for more than 75% of overall company sales.

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ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

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