

September 28, 2017

Sribalaji Hatcheries Private Limited

Summary of rated instruments

Instrument*	Rated Amount (in crore)	Rating Action
Fund-based – Cash Credit	5.00	[ICRA]C ISSUER NOT COOPERATING*; Rating moved to the ‘Issuer Not Cooperating’ category
Unallocated Limits	1.50	[ICRA]C ISSUER NOT COOPERATING*; Rating moved to the ‘Issuer Not Cooperating’ category
Total	6.50	

*Issuer did not co-operate; Based on best available information.

^Instrument Details captured under Annexure-1

Rating action

ICRA has moved the ratings for the Rs 6.50 crore¹ bank facilities of Sribalaji Hatcheries Private Limited (SHPL)² to the ‘Issuer Not Cooperating’ category. The rating is now denoted as “[ICRA]C ISSUER NOT COOPERATING”

Rationale

The rating is based on no updated information on the entity’s performance since the time it was last rated in March 2016. The lenders, investors and other market participants are thus advised to exercise appropriate caution while using this rating as the rating does not adequately reflect the credit risk profile of the entity. The entity’s credit profile may have changed since the time it was last reviewed by ICRA; however, in the absence of requisite information, ICRA is unable to take a definitive rating action.

As part of its process and in accordance with its rating agreement with SHPL, ICRA has been trying to seek information from the entity so as to monitor its performance, but despite repeated requests by ICRA, the entity’s management has remained non-cooperative. In the absence of requisite information, and in line with SEBI’s *Circular No. SEBI/HO/MIRSD4/CIR/2016/119, dated November 01, 2016*, ICRA’s Rating Committee has taken a rating view based on the best available information

Key rating drivers

Credit strengths

- **Experienced Promoters:** The promoters have significant experience in the poultry industry
- **Association with Venkateshwara Hatcheries:** The company has close association with Venkateshwara Hatcheries, which commands major market share in the domestic broiler and layer market

Credit weaknesses

- **Modest scale of operations:** Modest scale of operations in the poultry breeding industry
- **Raw Material Volatility:** The volatility in cost of feed is expected to adversely affect profitability
- **Weak capital structure:** The capital structure is weak characterized by negative net-worth levels
- **High competitive intensity:** The company faces competition from both large and small breeders; expected to continue, given the low entry barriers in the poultry business

¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions, please refer to ICRA’s website www.icra.in or other ICRA Rating Publications.

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below

Links to applicable criteria:

[Corporate Credit Ratings: A Note on Methodology](#)

About the Company:

M/s. Balaji Hatcheries was founded as a partnership firm during the year 1971 by Dr. V Sundar Naidu along with his family members. The firm was changed into a private limited company during the year 2013 and the name was changed to Sri Balaji Hatcheries Private Limited (SBHPL). The group companies—V.S.N. Hatcheries Private Limited (VHPL), Balaji Livestock & Poultry Breeders Private Limited and Balaji Hatcheries Private Limited—were amalgamated into SBHPL effective from April 1, 2014. The company is engaged in breeding broiler and layer chickens (exclusive layer franchise of Venkateshwara Hatcheries Private Limited) as well as feed processing.

Key Financial Indicators (SHPL)

Particulars	FY2015	FY2016
Operating Income (Rs. crore)	30.77	32.15
Net Profit (Rs. crore)	2.04	5.78
OPBITDA/OI (%)	12.10%	19.70%
RoCE (%)	152.42%	175.35%
Total Debt / Tangible Net worth (times)	-1.31	-2.79
Total Debt / OPBITDA (times)	2.49	1.42
Interest coverage (times)	2.13	4.49
NWC/OI (%)	-18%	1%

OI: Operating Income; PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; ROCE: PBIT/Avg (Total Debt + Tangible Net-Worth + Deferred Tax Liability - Capital Work - in Progress); NWC: Net Working Capital

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years:
Table:

S. No.	Instrument	Current Rating			Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. Crore)	Month-year & Rating in FY2018	Date & Rating in FY2017	Date & Rating in FY2016	Date & Rating in FY2015
				September 2017	April 2016		
1	Cash Credit	Long Term	5.00	[ICRA]C ISSUER NOT COOPERATING*	[ICRA]C		
2	Unallocated Limits	Long Term	1.50	[ICRA]C ISSUER NOT COOPERATING*	[ICRA]C		

*Issuer did not co-operate; based on best available information

Complexity level of the rated instrument:

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

Annexure-1
Instrument Details

Instrument	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. Crore)	Current Rating and Outlook
Cash Credit	-	-	-	5.00	[ICRA]C ISSUER NOT COOPERATING*
Unallocated Limits	-	-	-	1.50	[ICRA]C ISSUER NOT COOPERATING*

*Issuer did not co-operate; based on best available information

Source: company

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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