



SMERA RATINGS LIMITED

Premium Chick Feeds Private Limited (PCFPL)

*Rating
Rationale*

August 12, 2015

| Facilities | Amount (Rs. Crore) | Rating |
|-------------------------------|--------------------|-----------------------------|
| Term Loan | 30.00 | SMERA BBB/Stable (Assigned) |
| Cash Credit | 55.00 | SMERA BBB/Stable (Assigned) |
| Proposed Long Term Facilities | 5.00 | SMERA BBB/Stable (Assigned) |

SMERA has assigned rating of '**SMERA BBB**' (read as **SMERA triple B**) to the Rs.90.00 crore bank facilities of Premium Chick Feeds Private Limited (PCFPL). The outlook is '**Stable**'. The rating derives comfort from the company's experienced management, healthy revenue growth and moderate financial risk profile of the company. However, the rating is constrained by the cyclical nature of the poultry industry and exposure to outbreaks of bird flu and other diseases. The rating also factors in the susceptibility of the margins to volatility in feed and broiler prices.

PCFPL, a Raigad-based company was incorporated in 1991 and is engaged in the rearing of broiler chicken and manufacturing of poultry feed. The company benefits from its experienced management. Mr. Girish Kolwankar, Mr. Shyam Dhawan, and Mr. Neil Dalgado, Directors, have more than two decades of experience in the poultry industry.

PCFPL registered a healthy revenue growth over the last three years of Rs.582.16 crore in FY2014-15 (provisional), an increase from Rs.219.41 crore in FY2011-12. PCFPL has a moderate financial risk profile. While the gearing stood at 1.80 times as on March 31, 2014, the company undertook debt funded capex in FY2014-15 subsequent to which the gearing increased to 2.14 times as on March 31, 2015. The interest coverage ratio is comfortable at 3.42 times for FY2014-15.

PCFPL operates in a cyclical industry on account of outbreaks of bird flu and other diseases which can impact demand and cause prolonged impact on margins and turnover. The company tries to mitigate this risk through medication and vaccines. PCFPL's margins are also susceptible to volatility in feed and broiler prices inherent in the poultry business. The operating margins declined to 3.19 per cent in FY2014-15 from 3.89 per cent in FY2013-14. In FY2014-15, the company completed a capex to expand its feed manufacturing capacity to meet the required internal consumption which is expected to improve margins in future with decline in raw material cost.

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Outlook: Stable

SMERA believes that PCFPL will continue to benefit over the medium term from its promoters extensive experience in the poultry business. The outlook may be revised to 'Positive' in case of further improvement in its debt coverage indicators and profitability margins. The outlook may be revised to 'Negative' in case of weakening of the financial risk profile.

About the Company

Incorporated in 1991, PCFPL is a Raigad-based company that manufactures poultry feed. In 2001, the company commenced broiler farming operations. The company is headed by the Directors - Mr. Girish Kulvankar, Mr. Shyam Dhawan, and Mr. Neil Delgado.

For FY2013-14, PCFPL reported PAT of Rs. 6.88 crores on operating income of Rs. 431.81 crores as compared with PAT of Rs. 4.53 crores on operating income of Rs.328.82 crores for FY2012-13. The company's networth stands at Rs.20.86 crores as on March 31, 2014 as compared with Rs. 10.77 crores a year earlier.

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