

Press Release

Premium Chick Feeds Private Limited (PCFPL)

18 February, 2017

Rating Upgraded

Total Bank Facilities Rated*	Rs.120.00 Cr
Long Term Rating	SMERA BBB+/Stable (Upgraded from SMERA BBB/Stable)
Short Term Rating	SMERA A2 (Assigned)

**Refer Annexure for details*

Rating Rationale

SMERA has upgraded the long term rating to '**SMERA BBB+**' (read as **SMERA triple B plus**) from '**SMERA BBB**' (read as **SMERA triple B**) and assigned short term rating of '**SMERA A2**' (read as **SMERA A two**) on the above mentioned Rs.120.00 crore bank facilities of Premium Chick Feeds Private Limited (PCFPL). The outlook is '**Stable**'.

PCFPL, incorporated in 1991, is a Maharashtra-based company engaged in the rearing of broiler chicken and manufacturing of poultry feed.

List of key rating drivers and their detailed description

Strengths:

Long track record of operations with experienced management: PCFPL was incorporated in 1991 by Mr. Girish Kolwankar, Mr. Shyam Dhawan, and Mr. Neil Dalgado who possess experience of over two decades in the poultry industry.

Increase in revenue with improvement in profit margins: The company registered revenue of Rs.853.34 crore in FY2015-16 as compared to Rs.582.72 crore in the previous year. The EBITDA margins stood at 3.18 percent in FY2015-16 as against 3.16 times in FY2014-15. Further, the PAT margin also improved to 1.04 percent in FY2015-16 from 1.01 percent in FY2014-15.

Moderate financial risk profile: PCFPL's gearing (total debt/equity ratio) stood at 2.35 times as on 31 March, 2016 as compared to 2.56 times as on 31 March, 2015. The gearing increased in FY2015 on account of term loan availed for purchase of machinery to increase feed manufacturing capacity. The gearing is expected to improve on account of retention of profits. Going forward, the overall gearing is expected to improve.

The interest coverage ratio stands healthy at 3.24 times for FY2015-16 as compared to 3.29 times for FY2014-15. The NCA/TD stood at 0.16 times in FY2015-16 on account of higher net cash accruals (NCA) of Rs.17.62 crore in FY2015-16

PCFPL has healthy net worth of Rs.35.63 crore as on 31 March, 2016 as compared to Rs.26.77 crore in the previous year.

Efficient working capital cycle management: The company has been managing its working capital cycle efficiently at 25 days and inventory at 35 days. The creditor days have declined to 14 (FY2015-16) from 22 (FY2014-15) and debtor days to 4 in FY2015-16 from 6 in FY2014-15. The average utilisation of working capital facilities is 70-75 per cent.

Weaknesses:

Cyclical nature of poultry industry, exposure to diseases: Bird flu and other diseases can affect demand and prices.

Intense market competition: The company is exposed to intense market competition owing to several organised and unorganised players, limiting the bargaining power.

Analytical approach: SMERA has considered the standalone financial and business risk profiles to arrive at the rating.

Applicable Criteria

- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Outlook: Stable

SMERA believes that PCFPL will maintain a stable outlook and 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. Conversely, the outlook may be revised to 'Negative' in case of weakening of the financial risk profile.

About the Rated Entity

PCFPL was set up in 1991 to manufacture poultry feed. The company is headed by Mr. Girish Kulvankar, Mr. Shyam Dhawan, and Mr. Neil Delgado. In 2001, the company commenced broiler farming operations in addition to its existing poultry feed manufacturing activities.

For FY2015-16, the company reported profit after tax (PAT) of Rs.1.04 crore on operating income of Rs.853.34 crore, as compared to PAT of Rs.1.01 crore on operating income of Rs.582.72 crore in the previous year. The networth stood at Rs.35.63 crore as on 31 March, 2016 as compared to Rs.26.77 crore in the previous year.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	FY2017			FY2016		FY2015		FY2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Term Loan	LT	15.00	SMERA BBB+/Stable (Upgraded)	12 Aug, 2015	SMERA BBB (Assigned)	-	-	-	-
Term Loan	LT	15.00	SMERA BBB+/Stable (Upgraded)	12 Aug, 2015	SMERA BBB (Assigned)	-	-	-	-
Term Loan	LT	15.00	SMERA BBB+/Stable (Assigned)	-	-	-	-	-	-
Cash Credit	LT	62.00 (Enhanced from Rs. 55.00 crore)	SMERA BBB+/Stable (Upgraded)	12 Aug, 2015	SMERA BBB (Assigned)	-	-	-	-
Cash Credit	LT	10.00	SMERA BBB+/Stable (Assigned)	-	-	-	-	-	-
Letter of Credit	LT	3.00	SMERA A2 (Assigned)	-	-	-	-	-	-
Proposed Long Term Facilities**	LT	5.00	-	12 Aug, 2015	SMERA BBB (Assigned)	-	-	-	-

****Proposed Long Term Facility has been converted to Cash Credit**

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/ Outlook
Term Loan	N.A.	N.A.	March, 2019	15.00	SMERA BBB+/Stable (Upgraded)
Term Loan	N.A.	N.A.	September, 2020	15.00	SMERA BBB+/Stable (Upgraded)
Term Loan	N.A.	N.A.	2021	15.00	SMERA BBB+/Stable (Assigned)
Cash Credit	N.A.	N.A.	N.A.	62.00 (Enhanced from Rs.55.00 crore)	SMERA BBB+/Stable (Upgraded)
Cash Credit	N.A.	N.A.	N.A.	10.00	SMERA BBB+/Stable (Assigned)
Letter of Credit	N.A.	N.A.	N.A.	3.00	SMERA A2 (Assigned)

Note on complexity levels of the rated instrument: <https://www.smera.in/criteria-complexity-levels.htm>

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ABOUT SMERA

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