

Press Release

Premium Chick Feeds Private Limited

29 January, 2018



Rating Reaffirmed and Assigned

Total Bank Facilities Rated*	Rs. 185.00 Cr. (Enhanced from Rs. 120.00 Cr.)
Long Term Rating	SMERA BBB+/Stable (Reaffirmed)
Short Term Rating	SMERA A2 (Reaffirmed)

*Refer annexure for details

SMERA has reaffirmed the long term rating of '**SMERA BBB+** (read as SMERA triple B plus) and short term rating of '**SMERA A2** (read as SMERA A two) on the Rs. 162.50 crore bank facilities. Further, SMERA has assigned long term rating of '**SMERA BBB+** (read as SMERA triple B plus) on the Rs.22.50 crore bank facilities of Premium Chick Feeds Private Limited (PCFPL). The outlook is '**Stable**'.

The Maharashtra-based Premium Chick Feeds Private Limited (PCFPL) was set up in 1991 to manufacture poultry feed. The company is led by Mr. Girish Kolwankar, Mr. Shyam Dhawan and Mr. Neil Delgado. In 2001, the company commenced broiler farming operations in addition to its existing poultry feed business.

Key rating drivers

Strengths

Long track record of operations and 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.

Improvement in revenue and margins: The company registered revenue of Rs.1,063.96 crore in FY2017 compared to Rs.853.34 crore in the previous year. The EBITDA margin stood at 3.18 percent in FY2017 and FY2016 while the PAT margin improved to 1.19 percent in FY2017 from 1.04 percent in FY2016.

Moderate financial risk profile: The gearing (debt/equity ratio) stood at 2.46 times as on 31 March, 2017 compared to 2.35 times as on 31 March, 2016. The gearing increased in FY2016 on account of term loan availed by the company to purchase machinery, although it's expected to improve on retention of profits. The Interest Coverage Ratio (ICR) stood at a healthy 4.07 times in FY2017 compared to 3.24 times in FY2016. The Net Cash Accruals to Total Debt (NCA/TD) stood at 0.15 times in FY2017. The company has healthy networth of Rs.48.27 crore as on 31 March, 2017 compared to Rs.35.63 crore in the previous year.

Efficient working capital management: The company has been managing its working capital cycle efficiently at 29 days and inventory at 35 days (in FY2017). The creditor days declined to 12 in FY2017 from 14 in FY2016 and debtor days to 6 in FY2017 from 4 in FY2016. The average utilisation of working capital facilities is around 75 per cent.

Weaknesses

Cyclical nature of poultry industry, exposure to diseases: Bird flu and other diseases are critical risks in the poultry business, which can affect demand and cause prolonged impact on prices.

Limited bargaining power: PCFPL purchases day old chicks (DOC) from Venkateshwara Hatcheries which results in relatively weaker bargaining power.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of PCFPL to arrive at the rating.

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 - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	1063.96	853.34	582.72
EBITDA	Rs. Cr.	33.82	27.12	18.42
PAT	Rs. Cr.	12.64	8.86	5.91
EBITDA Margin	(%)	3.18	3.18	3.16
PAT Margin	(%)	1.19	1.04	1.01
ROCE	(%)	19.93	20.83	18.56
Total Debt/Tangible Net Worth	Times	2.46	2.35	2.56
PBDIT/Interest	Times	4.07	3.24	3.29
Total Debt/PBDIT	Times	3.51	3.09	3.72
Gross Current Assets (Days)	Days	52	48	59

Any other information:

Not Applicable

Applicable Criteria

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

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Status of non-cooperation with previous CRA (if applicable):

None

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
18-Feb-2017	Term Loan	Long Term	15.00	SMERA BBB+ / Stable (Upgraded)
	Term Loan	Long Term	15.00	SMERA BBB+ / Stable (Upgraded)
	Term Loan	Long Term	15.00	SMERA BBB+ / Stable (Assigned)
	Cash Credit	Long Term	62.00 (Enhanced from Rs.55.00 Cr)	SMERA BBB+ / Stable (Upgraded)
	Cash Credit	Long Term	10.00	SMERA BBB+ / Stable (Assigned)
	Letter of Credit	Short Term	3.00	SMERA A2 / Stable (Assigned)
12-Aug-2015	Term Loan	Long Term	30.00	SMERA BBB / Stable (Assigned)
	Cash Credit	Long Term	55.00	SMERA BBB / Stable (Assigned)
	Proposed long term facilities	Long Term	5.00	SMERA BBB / Stable (Assigned)

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	Not Applicable	Not Applicable	Not Applicable	15.00	SMERA BBB+ / Stable (Reaffirmed)
Term loan	Not Applicable	Not Applicable	Not Applicable	12.50	SMERA BBB+ / Stable (Reaffirmed)

Cash credit	Not Applicable	Not Applicable	Not Applicable	52.00	SMERA BBB+ / Stable (Reaffirmed)
Cash credit	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA BBB+ / Stable (Reaffirmed)
Cash credit	Not Applicable	Not Applicable	Not Applicable	25.00	SMERA BBB+ / Stable (Reaffirmed)
Proposed	Not Applicable	Not Applicable	Not Applicable	22.50	SMERA BBB+ / Stable (Assigned)
Cash credit	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA BBB+ / Stable (Reaffirmed)
Term loan	Not Applicable	Not Applicable	Not Applicable	15.00	SMERA BBB+ / Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	20.00	SMERA BBB+ / Stable (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA A2 / Stable (Reaffirmed)

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ABOUT SMERA

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