

Press Release

Premium Chick Feeds Private Limited

March 07, 2019



Rating Reaffirmed, Withdrawn and Assigned

Total Bank Facilities Rated*	Rs. 215.00 Cr. (Enhanced from Rs.185.00 cr.)
Long Term Rating	ACUITE BBB+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed long-term rating of '**ACUITE BBB+**' (read as **ACUITE triple B plus**) to the Rs. 191.00 crore bank facilities of Premium Chick Feeds Private Limited (PCPL). The outlook is '**Stable**'.

Acuite has withdrawn long-term rating of '**ACUITE BBB+**' (read as **ACUITE triple B plus**) to the Rs. 12.50 crore bank facilities of PCPL.

Acuite has assigned long-term rating of '**ACUITE BBB+**' (read as **ACUITE triple B plus**) to the Rs. 24.00 crore bank facilities of PCPL. 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.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of PCPL to arrive at the rating.

Key Rating Drivers

Strengths

• Long track record of operations and experienced management:

PCPL 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. The extensive experience has enabled the company forge healthy relationships with customers. PCPL has wide customer base with top ten customers accounting for ~11 percent of sales. Acuite believes that PCPL will continue to benefit from its experienced management and established relationships with customers.

• Improvement in revenue and margins:

The company has reported high revenue growth with compounded annual growth rate (CAGR) of around 27 percent through the last three years ended 31 March, 2018. The company reported significant revenue growth of ~30 percent with operating income of Rs.1378.79 crore in FY2018 as against operating income of Rs.1063.96 crore in FY2017. The operating margins of the company are stable at around 3.0-3.2 per cent.

• Comfortable financial risk profile:

The financial risk profile is comfortable marked by high net worth and comfortable debt protection measures and high gearing. The net worth is high at Rs.65.47 crore as on 31 March, 2018 as against Rs.48.27 crore as on 31 March, 2017. The gearing of the company has stood high at 2.24 times as on March 31, 2018 as against 2.46 times as on 31 March, 2017. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 3.27 times as on 31 March, 2018 as against 3.35 times as on 31 March, 2017. The high revenue levels coupled with stable operating margins have resulted in comfortable debt protection measures. Interest Coverage Ratio (ICR) improved to 4.65 times in FY2018 from 4.07 times in FY2017. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.18 times as on 31 March, 2018 as against 0.15 times as on 31 March, 2017. Debt Service Coverage Ratio (DSCR) stood at 1.97 times in FY2018 as against 1.89 times in FY2017. Acuite believes that the financial risk profile of PCPL will continue to remain comfortable over the medium term on account of its improving scale of operations and net cash accruals.

• **Efficient working capital management:**

PCPL has efficient working capital operations marked by low Gross Current Assets (GCA) of 52 days in FY2018 and FY2017. The inventory and debtor levels stood at 38 and 5 days in FY2018 as against 35 and 6 days in FY2017, respectively. As a result, the average utilisation of bank limits stood at ~80 percent in the last six months. Acuite believes that the working capital requirements will continue to remain comfortable over the medium term on account of timely payment from the customers and to the suppliers.

Weaknesses

• **Cyclical nature of poultry industry and 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:**

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

Liquidity Position

PCPL has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.13.76 - 25.95 crore during the last three years through 2017-18, while its maturing debt obligations were in the range of Rs.5.72 - 7.74 crore over the same period. The cash accruals of the company are estimated to remain around Rs.37.15 - 54.98 crore during 2019-21. The company's working capital operations are comfortable as marked by low gross current asset (GCA) days of 52 in FY 2018. This has led to 80 percent utilisation of working capital borrowings during the last 6 months period ended February, 2019. The company maintains unencumbered cash and bank balances of Rs.25.19 crore as on March 31, 2018. The current ratio of the group stands moderate at 0.97 times as on March 31, 2018. The company is likely to incur capex of Rs.24.00 crore over the medium which is likely to be funded by equity and external borrowing in the ratio of 1:3. Acuite believes that the liquidity of the group is likely to remain adequate over the medium term on account of healthy cash accrual.

Outlook: Stable

Acuite believes that PCPL will maintain a 'Stable' outlook over the medium term from the industry experience of its promoters. The outlook may be revised to 'Positive' if there is substantial and sustained improvement in PCPL's operating income or profitability, while maintaining its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of weakening of its capital structure and debt protection metrics.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	1,378.79	1,063.96	853.34
EBITDA	Rs. Cr.	44.57	33.82	27.12
PAT	Rs. Cr.	17.20	12.64	8.86
EBITDA Margin	(%)	3.23	3.18	3.18
PAT Margin	(%)	1.25	1.19	1.04
ROCE	(%)	19.23	19.93	37.48
Total Debt/Tangible Net Worth	Times	2.24	2.46	2.35
PBDIT/Interest	Times	4.65	4.07	3.24
Total Debt/PBDIT	Times	3.26	3.49	3.09
Gross Current Assets (Days)	Days	52	52	48

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
29-Jan-2018	Term loan	Long Term	15.00	ACUITE BBB+/Stable (Reaffirmed)
	Term loan	Long Term	12.50	ACUITE BBB+/Stable (Reaffirmed)
	Cash credit	Long Term	52.00	ACUITE BBB+/Stable (Reaffirmed)
	Cash credit	Long Term	10.00	ACUITE BBB+/Stable (Reaffirmed)
	Cash credit	Long Term	25.00	ACUITE BBB+/Stable (Reaffirmed)
	Proposed long term loan	Long Term	22.50	ACUITE BBB+/Stable (Assigned)
	Cash credit	Long Term	10.00	ACUITE BBB+/Stable (Reaffirmed)
	Term loan	Long Term	15.00	ACUITE BBB+/Stable (Reaffirmed)
	Cash credit	Long Term	20.00	ACUITE BBB+/Stable (Reaffirmed)
	Letter of credit	Short Term	3.00	ACUITE A2 (Reaffirmed)
18-Feb-2017	Term loan	Long Term	15.00	ACUITE BBB+/Stable (Upgraded from ACUITE BBB/Stable)
	Term loan	Long Term	15.00	ACUITE BBB+/Stable (Upgraded from ACUITE BBB/Stable)
	Term loan	Long Term	15.00	ACUITE BBB+/Stable (Assigned)
	Cash credit	Long Term	62.00	ACUITE BBB+/Stable (Upgraded from ACUITE BBB/Stable)
	Cash credit	Long Term	10.00	ACUITE BBB+/Stable (Assigned)
	Letter of credit	Short Term	3.00	ACUITE A2 (Assigned)
12-Aug-2015	Term loan	Long Term	30.00	ACUITE BBB/Stable (Assigned)
	Cash credit	Long Term	55.00	ACUITE BBB/Stable (Assigned)
	Proposed working capital demand loan	Long Term	5.00	ACUITE BBB/Stable (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term loan	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE BBB+/Stable (Reaffirmed)
Term loan	Not Applicable	Not Applicable	Not Applicable	12.50	ACUITE BBB+/Stable (Withdrawn)
Cash credit	Not Applicable	Not Applicable	Not Applicable	70.00 (Enhanced from Rs.52.00 crore)	ACUITE BBB+/Stable (Reaffirmed)
Cash credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB+/Stable (Reaffirmed)
Cash credit	Not Applicable	Not Applicable	Not Applicable	40.00* (Enhanced from Rs.25.00 crore)	ACUITE BBB+/Stable (Reaffirmed)
Term loan	Not Applicable	Not Applicable	Not Applicable	14.00	ACUITE BBB+/Stable (Assigned)
Cash credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB+/Stable (Assigned)
Cash credit	Not Applicable	Not Applicable	Not Applicable	10.00#	ACUITE BBB+/Stable (Reaffirmed)
Term loan	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE BBB+/Stable (Reaffirmed)
Cash credit	Not Applicable	Not Applicable	Not Applicable	40.00**	ACUITE BBB+/Stable (Reaffirmed)

*sublimit of short term loan Rs. 10.00 crore & WCDL of Rs.35.00 crore.

**sublimit of WCDL of Rs.20.00 crore.

sublimit of WCDL of Rs.10.00 crore and OTSTL of Rs.10.00 crore.

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