

Press Release

Premium Chick Feeds Private Limited

December 29, 2021



Rating Assigned and Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Ratings	53.00	ACUITE BBB+ Stable Assigned	
Bank Ratings	265.00	ACUITE BBB+ Stable Upgraded	
Total	318.00	-	-

* Refer Annexure for details

Rating Rationale

Acuité has upgraded and assigned the long term rating to 'ACUITE BBB+' (read as ACUITE triple B plus) from 'ACUITE BBB' (read as ACUITE triple B) on the Rs.318.00 crore bank facilities of Premium Chick Feeds Private Limited (PCFPL). The outlook is 'Stable'.

About the Company

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. Company has its presence in West Bengal, Assam, Andhra Pradesh, Orissa, Karnataka, Uttar Pradesh, Telangana, Tamil Nadu and Maharashtra.

Rationale for rating reaffirmation

The rating upgrade is driven by improvement in revenue and profitability margin along with efficient working capital cycle and healthy financial risk profile with moderate gearing and healthy debt protection metrics. The above mentioned rating strengths are partially offset by volatility in prices of broiler and raw materials.

Analytical Approach

Acuité has considered the standalone financial and business risk profile of PCFPL 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 to maintain healthy relationships with customers. PCFPL has wide customer base with top ten customers accounting for ~15 percent of sales. Acuité believes that PCPL will continue to benefit from its experienced management and established relationships with customers. The extensive experience of the promoters is also reflected through the healthy revenue growth rate. The revenue of the company have grown at a CAGR of 35.94 percent since 2017.

Acuité believes that NCPL will continue to benefit from the promoter's established presence in the industry and its improving business risk profile over the medium term.

Improvement in revenue

The operating income of the company improved and stood at Rs.3633.31 crore in FY2021 (Prov.) as against Rs.2635.80 crore in FY2020. The revenue of the company has improved by 37.84 percent. This is majorly because of the increase in the demand for broiler chicken. There is also a significant improvement in the operating margin of the company which stood at 6.49 percent in FY2021 (Prov.) as against negative (1.96) percent in FY2020. PAT margin also improved and stood at 4.37 percent in FY2021 (Prov.) as against negative (3.26) percent in FY2020.

Acuité believes that the company's ability to improve its revenues while sustaining its profitability margin will remain a key rating sensitivity factor.

Efficient working capital management

The working capital management of the company is efficient in nature marked by GCA days of 49 days in FY2021 (Prov.) as against 58 days in FY2020. The inventory days stood at 47 days in FY2021 as against 53 days in FY2020. Also, the debtor days stood at 3 days in FY2021 as against 2 days in FY2020. The average bank limit utilization stood high at around 93 percent for the last 9 months ended November 2021.

Acuité believes that efficient working capital management will be crucial to the company in order to maintain a healthy risk profile.

Healthy financial risk profile

The financial risk profile of the company stood healthy marked by healthy net worth, moderate gearing and healthy debt protection metrics. The tangible net worth stood at Rs.167.18 crore as on March 31, 2021 (Prov.) as against Rs.8.52 crore as on March 31, 2020. The improvement in net worth is due to healthy accretion of profits to the reserve, the later being a result of healthy growth in revenues and moderate profitability levels. The total debt of the company stood at Rs.262.01 crore includes Rs.51.30 crore of long term debt and Rs.210.72 crore of short term debt as on March 31, 2021 (Prov.). The financial risk profile of the company improved due to moderate profitability levels reflected through improvement in gearing (debt-equity) which stood at 1.57 times as on March 31, 2021 (Prov.) as compared to 26.90 times as on March 31, 2020. Interest Coverage Ratio stood at 9.55 times for FY2021 (Prov.) as against negative (2.31) times for FY2020. Debt Service Coverage Ratio (DSCR) stood at 5.97 times for FY2021 (Prov.) as against negative (1.61) times for FY2020. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 2.61 times as on March 31, 2021 (Prov.) as against 60.76 times on March 31, 2020. Net Cash Accruals to Total Debt (NCA/TD) also stood moderate at 0.65 times for FY2021 (Prov.) as against negative (0.32) times for FY2020.

Acuité believes that the financial risk profile of the company is expected to remain at the same level over the medium term.

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.

Susceptibility of profit margins to volatility in broiler and raw material prices

The profit margins are susceptible to volatility in broiler prices - inherent in the poultry business. Raw materials refer to maize and soya beans which are required for manufacturing of poultry feeds. Raw materials' prices are largely dependent on several external factors like demand outlook and productions and are also susceptible to volatility due to factors such as weather conditions, revision in minimum support price of maize by the government and demand and supply scenario in agricultural markets.

Rating Sensitivities

Improving the scale of operations while maintaining profitability margins.

Any elongation of the working capital cycle leading to deterioration in financial risk profile.

Material covenants

None.

Liquidity Position: Adequate

The company has adequate liquidity marked by adequate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.38.00-171.10 crore during the last three years through 2019-21 as against maturing debt obligation of Rs.8.00-19.80 crore for the same period. The company's working capital operation stood efficient marked by GCA days of 49 days in FY2021 (Prov.) as against 58 days in FY2020. The company maintains an unencumbered cash and bank balances of Rs.11.90 crore as on March 31, 2021 (Prov.). The current ratio of the company stood at 1.19 times as on March 31, 2021 (Prov.). The average bank limit utilization stood high at around 93 percent for the last 9 months ended November 2021.

Outlook: Stable

Acuité believes PCFPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management and long-standing relations with customers and suppliers. The outlook may be revised to 'Positive' in case PCFPL registers higher than expected revenues and profitability while maintaining its financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of a steep decline in the company's revenue or profitability or significant deterioration in the working capital cycle leading to deterioration in its financial risk profile and liquidity position.

Key Financials

Particulars	Unit	FY 21 (Provisional)	FY 20 (Actual)
Operating Income	Rs. Cr.	3633.31	2635.80
PAT	Rs. Cr.	158.66	(85.95)
PAT Margin	(%)	4.37	(3.26)
Total Debt/Tangible Net Worth	Times	1.57	26.90
PBDIT/Interest	Times	9.55	(2.31)

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

Not Applicable.

Any other information

None.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector -<https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
30 Dec 2020	Term Loan	Long Term	6.00	ACUITE BBB Stable (Downgraded from ACUITE BBB+ Stable)
	Cash Credit	Long Term	60.00	ACUITE BBB Stable (Downgraded from ACUITE BBB+ Stable)
	Cash Credit	Long Term	10.00	ACUITE BBB Stable (Downgraded from ACUITE BBB+ Stable)
	Proposed Bank Facility	Long Term	5.48	ACUITE BBB Stable (Downgraded from ACUITE BBB+ Stable)
	Cash Credit	Long Term	10.00	ACUITE BBB Stable (Downgraded from ACUITE BBB+ Stable)
	Cash Credit	Long Term	10.00	ACUITE BBB Stable (Downgraded from ACUITE BBB+ Stable)
	Working Capital Demand Loan	Long Term	15.00	ACUITE BBB Stable (Downgraded from ACUITE BBB+ Stable)
	Term Loan	Long Term	1.50	ACUITE BBB Stable (Downgraded from ACUITE BBB+ Stable)
	Cash Credit	Long Term	40.00	ACUITE BBB Stable (Downgraded from ACUITE BBB+ Stable)
	Cash Credit	Long Term	12.00	ACUITE BBB Stable (Downgraded from ACUITE BBB+ Stable)
	Cash Credit	Long Term	90.00	ACUITE BBB Stable (Downgraded from ACUITE BBB+ Stable)
	Term Loan	Long Term	33.27	ACUITE BBB Stable (Downgraded from ACUITE BBB+ Stable)
	Term Loan	Long Term	6.75	ACUITE BBB Stable (Downgraded from ACUITE BBB+ Stable)
	Term Loan	Long Term	15.00	ACUITE BBB Stable (Downgraded from ACUITE BBB+ Stable)
	Cash Credit	Long Term	15.00	ACUITE BBB Stable (Downgraded from ACUITE BBB+ Stable)
18 Dec 2019	Cash Credit	Long Term	70.00	ACUITE BBB+ Stable (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE BBB+ Stable (Reaffirmed)
	Term Loan	Long Term	14.00	ACUITE BBB+ Stable (Reaffirmed)
	Cash Credit	Long Term	40.00	ACUITE BBB+ Stable (Reaffirmed)
	Term Loan	Long Term	6.00	ACUITE BBB+ Stable (Reaffirmed)
	Cash Credit	Long Term	40.00	ACUITE BBB+ Stable (Reaffirmed)
	Term Loan	Long Term	15.00	ACUITE BBB+ Stable (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE BBB+ Stable (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE BBB+ Stable (Reaffirmed)
	Cash Credit	Long Term	40.00	ACUITE BBB+ Stable (Reaffirmed)
	Cash Credit	Long Term	70.00	ACUITE BBB+ Stable (Reaffirmed)
		Long		

07 Mar 2019	Term Loan	Term	6.00	ACUITE BBB+ Stable (Reaffirmed)
	Cash Credit	Long Term	40.00	ACUITE BBB+ Stable (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE BBB+ Stable (Assigned)
	Term Loan	Long Term	14.00	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	10.00	ACUITE BBB+ Stable (Reaffirmed)
	Term Loan	Long Term	12.50	ACUITE BBB+ (Withdrawn)
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

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Bank of Maharashtra	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	90.00	ACUITE BBB+ Stable Upgraded (from ACUITE BBB)
Bandhan Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE BBB+ Stable Upgraded (from ACUITE BBB)
RBL Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE BBB+ Stable Upgraded (from ACUITE BBB)
IDBI Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB+ Stable Upgraded (from ACUITE BBB)
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	60.00	ACUITE BBB+ Stable Upgraded (from ACUITE BBB)
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE BBB+ Stable Assigned
RBL Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	18.00	ACUITE BBB+ Stable Assigned
RBL Bank	Not Applicable	Term Loan	01-03-2021	10.15	30-06-2025	4.88	ACUITE BBB+ Stable Upgraded (from ACUITE BBB)
							ACUITE BBB+ Stable

Bank of Maharashtra	Not Applicable	Term Loan	01-10-2020	9.55	31-10-2022	1.50	Upgraded (from ACUITE BBB)
HDFC Bank Ltd	Not Applicable	Term Loan	01-10-2018	9.00	31-07-2026	36.62	ACUITE BBB+ Stable Upgraded (from ACUITE BBB)
HDFC Bank Ltd	Not Applicable	Term Loan	01-10-2018	9.00	31-07-2026	12.50	ACUITE BBB+ Stable Assigned
Bank of Maharashtra	Not Applicable	Term Loan	01-10-2020	9.55	31-10-2022	7.50	ACUITE BBB+ Stable Assigned
Bajaj Finance Ltd.	Not Applicable	Working Capital Demand Loan (WCDL)	Not available	Not available	Not available	25.00	ACUITE BBB+ Stable Upgraded (from ACUITE BBB)

Sublimit of cash credit of Bandhan Bank: Rs20.00 crore of WCDL

Sublimit of cash credit of RBL Bank: Rs30.00 crore of WCDL

Sublimit of cash credit of HDFC Bank: Rs75.00 crore of WCDL

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About Acuité Ratings & Research

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