

Press Release

Premium Chick Feeds Private Limited

February 10, 2023



Rating Reaffirmed & Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	318.00	ACUITE BBB+ Reaffirmed & Withdrawn	-
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	318.00	-	-

Rating Rationale

Acuite has reaffirmed and withdrawn the long term rating of '**ACUITE BBB+**' (read as **ACUITE triple B plus**) on the Rs.318.00 crore bank facilities of Premium Chick Feeds Private Limited (PCFPL). The rating has been withdrawn on account of the request received from the company, and NOC received from the banker as per Acuite's policy of withdrawal of ratings.

Rationale for rating

The rating reaffirmation continues to draw comfort from long track record and extensive experience of the management. Further the rating is driven by improvement in revenue along with efficient working capital management and comfortable financial risk profile marked healthy debt protection metrics. The rating is however constrained by volatile profits and their susceptibility towards changes in commodity prices of soyabean and maize which act as primary raw material for the poultry feed. Further, the rating holds a negative bias on account of inability of the company to practice dynamic pricing owing to competitive pressures and broiler prices being highly dominated by market demand.

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.

Analytical Approach

Acuite has considered the standalone financial and business risk profile of PCFPL to arrive at the rating.

Key Rating Drivers

Strengths

Extensive experience of the management along with long track record and continuous growth in the scale of operations

PCFPL was incorporated in 1991 by Mr. Girish Kolwankar, Mr. Shyam Dhawan and Mr. Neil Delgado who possess experience of over two decades in the poultry industry. The extensive

experience has enabled the company to maintain healthy relationships with its customers. PCFPL has wide customer base with top ten customers accounting for ~15 percent of sales. The extensive experience of the promoters is also reflected through the healthy revenue growth rate. The revenue of the company has grown at a CAGR of 39.44 percent since 2018. The revenues stood at Rs. 5187.14 Cr. in FY2022 as against Rs. 3633.68 Cr. in the previous year. Further, the revenue grew by ~30.42 percent in 9MFY2023 and stood at Rs.2636.91 Cr. The improvement in revenue is on the back of increase in the sales volume along with increase in the prices attributable to demand for chicken.

Acuité believes that PCFPL will continue to benefit from its established market position along with its increasing scale of operations owing to company's consistent efforts in expanding its capacity.

Efficient working capital management

The working capital management of the company is efficient in nature marked by GCA days of 49 days during FY2022 and FY2021 as against 58 days in FY2020. The inventory days stood at 45 days in FY2022 as against 47 days in FY2021. The company works on cash and carry basis which is reflected in lower debtor days of 3 in FY2022 and FY2021 as against 2 in FY2020. However, due to higher scale of operations the company's reliance on the working capital facility is high marked by average bank limit utilization of around 94 percent for the last 7 months ended December 2022.

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.166.60 Cr. as on March 31, 2022 as against Rs.138.43 Cr. as on March 31, 2021. The total debt of the company stood at Rs.316.90 Cr. and includes Rs.43.97 crore of long term debt and Rs.272.94 crore of short term debt as on March 31, 2022. The financial risk profile of the company improved reflected through improvement in gearing (debt-equity) which stood at 1.90 times as on March 31, 2022 as compared to 1.94 times as on March 31, 2021. Interest Coverage Ratio although deteriorated compared to previous year stood sufficient at 3.09 times for FY2022 as against 7.68 times for FY2021. Debt Service Coverage Ratio (DSCR) stood at 1.77 times for FY2022 as against 4.55 times for FY2021. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 4.17 times as on March 31, 2022 as against 3.43 times on March 31, 2021. Net Cash Accruals to Total Debt (NCA/TD) also stood moderate at 0.13 times for FY2022 as against 0.53 times for FY2021.

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

Weaknesses

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

The EBITDA margins have remained volatile over the last three years with negative (1.96) percent in FY2020 while 6.27 percent in FY2021 and 1.70 percent in FY2022. The FY margins have deteriorated significantly as the commodity prices of maize and soyabean have increased significantly during FY2022 which are primary raw materials in processing the poultry feed. Further, raw materials' prices are largely dependent on several external factors like demand outlook, productions etc and are also susceptible to factors such as weather conditions, revision in the minimum support prices regulated by the government and demand and supply scenario in agricultural markets. Additionally, as the prices of broilers are demand and market driven controlling pricing or practicing dynamic pricing becomes difficult due to competitive pressures for PCFPL.

Cyclical nature of poultry industry and exposure to diseases

Disease outbreak, high cost of medication and vaccines and fragility of poultry products are some of the risk situations in poultry farming. Disease outbreaks like Bird flu and other diseases are critical risks in the poultry business, which can affect demand and cause prolonged impact on prices.

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

PCFPL has adequate liquidity. The net cash accruals stood sufficient at Rs. 40.83 Cr against maturing debt obligations of around Rs. 11 Cr during FY2022. The company's working capital operations are comfortable marked by low gross current asset (GCA) days of 49 for the last two years ended FY2022. However, due to larger scale of operations working capital borrowings are utilized at around 94 per cent during the last 7 months' period ended December, 2022. The company maintains unencumbered cash and bank balances of Rs.5.15 Cr. as on March 31, 2022. The current ratio of the company stands at 1.07 times as on March 31, 2022.

Outlook

Not Applicable

Other Factors affecting Rating

Not Applicable

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	5187.14	3633.68
PAT	Rs. Cr.	28.17	129.91
PAT Margin	(%)	0.54	3.58
Total Debt/Tangible Net Worth	Times	1.90	1.94
PBDIT/Interest	Times	3.09	7.68

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

None

Any other information

Not Applicable

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

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
	Cash Credit	Long Term	10.00	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)

29 Dec 2021	Term Loan	Long Term	7.50	ACUITE BBB+ Stable (Assigned)
	Cash Credit	Long Term	90.00	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
	Term Loan	Long Term	4.88	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
	Cash Credit	Long Term	60.00	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
	Cash Credit	Long Term	25.00	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
	Term Loan	Long Term	1.50	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
	Cash Credit	Long Term	18.00	ACUITE BBB+ Stable (Assigned)
	Term Loan	Long Term	12.50	ACUITE BBB+ Stable (Assigned)
	Working Capital Demand Loan	Long Term	25.00	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
	Cash Credit	Long Term	15.00	ACUITE BBB+ Stable (Assigned)
	Cash Credit	Long Term	12.00	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
	Term Loan	Long Term	36.62	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
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)
		Long		ACUITE BBB Stable (Downgraded from ACUITE BBB+ Stable)
	Term Loan	Term	15.00	ACUITE BBB+ Stable)
	Cash Credit	Long Term	15.00	ACUITE BBB Stable (Downgraded from ACUITE BBB+ Stable)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Bank of Maharashtra	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	90.00	ACUITE BBB+ Reaffirmed & Withdrawn
Bandhan Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	25.00	ACUITE BBB+ Reaffirmed & Withdrawn
IDBI Bank Ltd.	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE BBB+ Reaffirmed & Withdrawn
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE BBB+ Reaffirmed & Withdrawn
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	60.00	ACUITE BBB+ Reaffirmed & Withdrawn
RBL Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	12.00	ACUITE BBB+ Reaffirmed & Withdrawn
RBL Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	18.00	ACUITE BBB+ Reaffirmed & Withdrawn
RBL Bank	Not Applicable	Term Loan	01 Mar 2021	10.15	30 Jun 2025	Simple	4.88	ACUITE BBB+ Reaffirmed & Withdrawn
Bank of Maharashtra	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	7.50	ACUITE BBB+ Reaffirmed & Withdrawn
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	12.50	ACUITE BBB+ Reaffirmed & Withdrawn
HDFC Bank	Not	Term	01 Oct					ACUITE BBB+

Ltd	Applicable	Loan	2018	9.00	31 Jul 2026	Simple	36.62	Reaffirmed & Withdrawn
Bank of Maharashtra	Not Applicable	Term Loan	01 Oct 2020	9.55	31 Oct 2022	Simple	1.50	ACUITE BBB+ Reaffirmed & Withdrawn
Bajaj Finance Ltd.	Not Applicable	Working Capital Demand Loan (WCDL)	Not available	Not available	Not available	Simple	25.00	ACUITE BBB+ Reaffirmed & Withdrawn

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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