



Press Release

S & P Feeds Private Limited (SPFPL)

December 1, 2023

Ratings

Instrument/ Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	47.03	IVR BBB-/ Positive (IVR Triple B Minus with Positive outlook)	Rating reaffirmed and outlook revised	Simple
Short Term Bank Facilities	23.00	IVR A3 (IVR A Three)	Reaffirmed	Simple
Total	70.03	(Rupees Seventy crore and Three lakh only)		

Details of Facilities are in Annexure 1

Detailed Rationale

IVR has revised the outlook of SPFPL to Positive from Stable while affirming the ratings at IVR BBB-. The revision of outlook to Positive from Stable reflects sustained improvement in credit profile during FY23 and expectations of further improvement in FY24 backed by improvement in EBITDA margins due to benefits of backward integration.

The reaffirmation of the ratings assigned to the bank facilities of SPFPL continue to derive strength from its long track record of operations with experienced directors in poultry industry, substantial improvement in revenue and profitability, comfortable capital structure and healthy debt protection metrics and favourable demand outlook for the Indian poultry industry.

The ratings strengths are, however, constrained by fragmented industry with intense competition and profitability susceptible to volatility in raw material prices, vulnerability of the industry's performance to outbreaks of flu and other diseases and seasonal nature of demand for the poultry products and profitability susceptible to volatility in broiler realization rates.

Key Rating Sensitivities:

Upward Factors

- Sustained improvement in EBITDA margins while maintaining the current credit profile



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Downward Factors

- Any decline in revenue and profitability and/or any deterioration in liquidity and/or any unplanned debt funded capex leading to deterioration in debt protection metrics.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Long track record of operations with experienced director in poultry industry

Being incorporated in 2010, SFPFL has a long track record of operations of more than one decade. Further, the promoters, Mr. Uddhav Ananda Ahire, managing director, having more than two decades of experience and Mrs. Vaishali Uddhav Ahire, director, having more than two decades of experience in the horticulture and poultry industry.

Substantial improvement in Revenue and profitability

SPFPL's revenue has increased by around 25% in FY23 to Rs. 568.61 crore on account of improvement in realisations of broiler and improvement in volume of broiler in FY23, SPFPL has achieved revenue of Rs. 399.80 crore for 7MFY24 majorly on account of improvement in realisation of broilers.

EBITDA margins has declined during FY23 to 4.56% as compared to 5.1% in FY22 due to higher raw materials prices of soya feed. However, from Q4FY23 onwards, SPFPL has successfully commissioned backward integration of manufacturing soya oil DOC (Soy De Oiled Cake) which will be able to reduce its raw material cost. EBITDA margins during 7MFY24 has improved to 12.43% due to reduction in raw material cost as company started procuring raw material like soya oil DOC through its captive unit resulting in substantial reduction in cost. Ability to maintain EBITDA margins at 7MFY24 levels will be key monitorable.

Comfortable Debt protection metrics

SPFPL's debt protection metrics remained strong during FY23 and FY22 with overall gearing and TOL/TNW is at 0.45x and 0.69x respectively (FY22: 0.33x and 0.45x respectively). Gearing as well as TOL/TNW has marginally increased due to higher utilisation of working capital limits at the end of the FY23 as company has stocked raw material. DSCR also remains comfortable during FY22-FY23 and expected to remain comfortable with absence of any large debt repayments.



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Key Rating Weaknesses

Fragmented industry with intense competition and profitability susceptible to volatility in raw material prices

SPFPL faces stiff competition in the poultry business from a large number of established and unorganized players in the market. However, improved demand scenario of poultry products in the country benefits the company.

Vulnerability of the industry's performance to outbreaks of flu and other diseases

The poultry industry remains exposed to intermittent episodes of epidemics which also impacts demand for its products. However, the SPFPL has taken appropriate measures for protecting its birds from bird flu by multi-level bio security measures.

Seasonal nature of demand for the poultry products and profitability susceptible to volatility in broiler realization rates

As inherent in the industry, the broiler production cost and realisation vary considerably across geographies and are impacted by seasonality as well as local supply dynamics. However, the movement in feed prices generally follow similar trends across geographies. Volatility in broiler realisations, due to the seasonal nature of demand of poultry products in India, has a bearing on the profitability indicators and keeps the same volatile.

Analytical Approach: Standalone

Applicable Criteria:

[Criteria of Rating Outlook](#)

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non- Financial Sector\)](#)

Liquidity – Adequate

The liquidity position of the company remains adequate as cash accruals would be more than debt repayment obligations. The average working capital utilisation for 12 months ending September 2023 has been 62.03%. The current ratio and quick ratio were 2.09x and 0.29x respectively, as on March 31, 2023.

About the Company

SPFPL was incorporated in 2010 in Bhaur, Nasik. It is engaged in parent farming, commercial broiler producing and egg production activities with an installed capacity of around 6,60,960



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eggs production per week, 16,800 metric tonnes of mash feed and 90,000 metric tonnes of pellet feed mill production capacity per annum. Company purchase parent birds from Venkateshwara Hatcheries Private Limited. Mr. Uddhav Ananda Ahire is Managing director of the company. He have more than two decades of experience in poultry farming business.

Financials (Standalone):

For the year ended / As on	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	455.59	568.61
EBITDA	23.27	25.95
PAT	14.70	14.01
Total Debt	28.68	46.16
Tangible Net-Worth	87.32	101.59
Ratios		
EBITDA Margin (%)	5.11	4.56
PAT Margin (%)	3.22	2.46
Overall Gearing Ratio (x)	0.33	0.45

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/ Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 (September 20, 22)	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Term Loan	Long Term	5.03	IVR BBB-/ Positive	IVR BBB-/ Stable	--	--
2.	Cash Credit	Long Term	42.00	IVR BBB-/ Positive	IVR BBB-/ Stable	--	--
3.	Short Term Loan	Short Term	23.00	IVR A3	IVR A3	--	--

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	--	--	September, 2027	5.03	IVR BBB-/ Positive
Cash Credit*	--	--	--	42.00	IVR BBB-/ Positive
Short Term Loan	--	--	--	23.00	IVR A3

*Sub-limit of Bank Guarantee : Rs. 2.00 crore and Letter of Credit : Rs. 1.30 crore.

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-SPFeeds-dec23.pdf>



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Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

