



## Press Release

**S & P Feeds Pvt Ltd**

**September 20, 2022**

### **Ratings**

<b>Facilities</b>	<b>Amount (Rs. crore)</b>	<b>Ratings</b>	<b>Rating Action</b>	<b><u>Complexity Indicator</u></b>
Long Term Bank Facilities	48.75	IVR BBB-/ Stable (IVR Triple B Minus with Stable outlook)	Assigned	Simple
Short Term Bank Facilities	23.00	IVR A3 (IVR 3 Four)	Assigned	Simple
<b>Total</b>	<b>71.75 (Seventy One and Seventy Five only)</b>			

**Details of Facilities are in Annexure 1**

### **Detailed Rationale**

The ratings assigned to the bank facilities of S & P Feeds Pvt Ltd (SPFPL) derive from long track record of operation with experienced proprietor in poultry industry and substantial improvement in revenue and profitability, comfortable capital structure and healthy debt protection metrics and favourable demand outlook for the Indian poultry industry. The rating strengths are partially offset 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 the total operating income by more than 10%.
- Sustained improvement in EBITDA margin above 9%
- Sustenance of overall gearing below unity and improvement in the debt protection metrics

#### **Downward Factors**

- Any decline in revenue and profitability leading to deterioration in debt protection metrics



## Press Release

- Any debt funded capex leading to deterioration in the debt protection parameters and/or the liquidity position of the company

### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

##### **Long track record of operations with experienced proprietor in poultry industry**

Being incorporated in 2010, the company 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. Extensive industry experience of the promoters resulted in established relationship with customers and suppliers.

##### **Substantial improvement in Revenue and profitability**

SPFPL's Total operating income (TOI) has grown year on year ending FY22. In FY21 it grown to 18% from Rs.293.80 crore in FY20 to Rs.347.67 crore in FY21 and it further grew by 31% i.e., to Rs.455.59 crore in FY22 provisional due to demand increasing in demand for boiler. Profitability margin of the remain fluctuating for the past three year ending FY22. Operating profit margin has increased from -0.13% in FY21 to 6.29% in FY21 in line with TOL. However, it declined to 5.15% in FY22 due to due to increase in raw materials cost.

##### **Comfortable capital structure and healthy debt protection metrics**

Capital structure of the SPFPL remained comfortable for the past three year ending FY22. Overall gearing ratio remained moderate. As on March 31, 2020, it stood at 0.37x and as on March 31, 2021 is improved to 0.20x accumulation of profit to TNW. However, it marginally deteriorated to 0.34x as on March 31, 2022 due to increase in total debt. TOL/ TNW has improved from 0.78x as March 31, 2020 to 0.37x as on March 31, 2021 due accumulation of profit to TNW and decline in working capital utilization. However, it marginally deteriorated as on March 31, 2022 to 0.47x due to increase in term loan.

Improvement in coverage ratio. Interest coverage ratio has improved from -1.31x in FY20 to 48.31x in FY21 to 88.25x in FY22 due to increase in operation profit. Total debt to GCA has improve from 200.28x in FY20 to 0.82x in FY21 due to improvement in GCA. However, it declines to 1.57x in FY22 due to increase in total debt.



## Press Release

### **Favorable demand outlook for the Indian poultry industry**

Poultry products like eggs have large consumption across the country in the form of bakery products, cakes, biscuits and different types of food dishes in restaurants and home. The demand has been driven by the rapidly changing food habits of the average Indian consumer, dictated by the lifestyle changes in the urban and semi-urban regions of the country. Consequently, the domestic poultry sector has seen strong growth in the last three years and the growth trend is likely to continue in the medium-term on the back of favorable socioeconomic and demographic factors. The demands for poultry products are sustainable and accordingly, the kind of industry is relatively insulated from economic cycle. Moreover, supply side factors like increased contract farming across the country and sizeable investments by poultry integrators in increasing breeding/ hatching capacity are expected to contribute to the growth momentum.

### **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 SPPL 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



## Press Release

### Applicable Criteria:

Criteria of assigning Rating Outlook

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-Financial Sector)

### Liquidity: Adequate

The liquidity of the company is expected to remain adequate in the near to medium term marked by sufficient accruals vis-à-vis its debt repayment obligations. The company has managed its working capital requirements prudently and implemented an effective receivables management system. Collection period was range bound from 5 - 6 days in the past three years ending FY22 provisional. The operating cycle stood at 55 days in FY21 as against 53 days in FY20. In FY22, the operating cycle had improved to 45 days due to the decline in inventory levels. The working capital requirement of the company is mainly funded through bank borrowings. The company's average working capital utilization of the sanctioned bank limits is only 29.93%, thus reflecting adequate liquidity.

### About the Firm

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 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 Pvt. Ltd. Mr. Uddhav Ananda Ahire is Managing director of the company. He have more than two decades of experience in poultry farming business.

### Financials (Standalone):

	(Rs. crore)		
For the year ended / As On*	31-03-2020 (Audited)	31-03-2021 (Audited)	31-03-2022 (Provisional)
Total Operating Income	293.80	347.67	455.59
EBITDA	-0.39	21.86	23.47
PAT	-2.46	14.75	14.69
Total Debt	21.16	14.86	28.68
Tangible Net worth	57.10	72.56	87.25
<b>Ratios</b>			
EBITDA Margin (%)	-0.13	6.29	5.15
PAT Margin (%)	-0.83	4.23	3.22



## Press Release

For the year ended / As On*	31-03-2020 (Audited)	31-03-2021 (Audited)	31-03-2022 (Provisional)
Overall Gearing Ratio (x)	0.37	0.20	0.33

\*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 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Term Loan	Long Term	6.75	IVR BBB-/ Stable	-	-	-
2.	Cash Credit	Long Term	42.00	IVR BBB-/ Stable	-	-	-
3.	Short Term Loan	Short Term	23.00	IVR A3	-	-	-

*\*Issuer did not cooperate; based on best available information*

### Name and Contact Details of the Rating Analyst:

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### About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.



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

For more information visit [www.infomerics.com](http://www.infomerics.com)

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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	-	-	May 2027	6.75	IVR BBB-/ Stable
Cash Credit	-	-	-	42.00	IVR BBB-/ Stable
Short Term Loan	-	-	-	23.00	IVR A3

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

### Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-SP-Feeds-sep22.pdf>

**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](http://www.infomerics.com).