



## Press Release

### Sakthi Poultry Private Limited (SPPL)

October 5, 2023

#### Ratings

Instrument Facility /	Amount (Rs. crore)	Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Bank Facility	18.61 (Increased from 14.51)	IVR BBB-/ Stable (IVR triple B minus with Stable outlook)	Reaffirmed	Simple
<b>Total</b>	<b>18.61</b> <b>(INR Eighteen</b> <b>Core and</b> <b>Sixty One</b> <b>lacs only)</b>			

Details of Facilities are in Annexure 1

#### Detailed Rationale

The reaffirmation in the ratings assigned to the bank facilities of Sakthi Poultry Private Limited (SPPL) factors in improved scale of operations in FY22 and FY23. The ratings continue to factor in the long track record of promoters in the poultry industry, locational advantage and favourable demand outlook of the poultry industry. The ratings are, however, constrained by SPPL's reduction in key margin indicators in FY22 and FY23, profitability susceptible to volatility in raw material prices and vulnerability of the industry's performance to outbreaks of the flu and other diseases.

#### Key Rating Sensitivities:

##### Upward Factors

- Substantial and sustained improvement in revenue and profitability margins while maintaining the debt protection metrics may lead to a positive rating action.

##### Downward Factors

- Any decline in scale of operations and/or moderation in profitability leading to decline in the debt protection metrics
- 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



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### Key Rating Strengths

- **Long track record of operations of the company and experience of the promoter in the poultry industry**

SPPL is promoted by Mr. A. Nagarajan. He is the managing director of the company. He has over three decades of experience in the poultry industry. Other promoters of the company also have more than two decades of experience in poultry industry. Due to long term presence in the market, the promoters have good relations with suppliers and customers.

- **Locational advantage**

SPPL is located in Tamil Nadu, which is amongst the leading states in broiler production. More than 90% of the poultry products exported from India originates from Tamil Nadu. Tamil Nadu ranks second in the country's egg production. The input feed required for the birds is procured from Karnataka, Andhra Pradesh and local traders in Tirupur. The proximity to its market centers and suppliers helps SPPL to reduce its transportation costs thus improving its profit margins.

- **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. The demand for poultry products are sustainable and the poultry industry is relatively insulated from the economic cycle.

- **Improved scale of operations**

SPPL's top line increased from Rs.151.67 crores in FY21 to Rs.241.38 crore in FY22 and further it stood to Rs.241.88 crore in FY23. In FY22, SPPL's sales increased by 60% due to increased broilers prices and increase in demand of products. In recent result, SPPL reported top line of Rs. 133.16 crore for 4MFY24 (Rs.92.18 crore: 4MFY23).



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### Key Rating Weaknesses

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

SPPL 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.

- **Decline in key margins indicators in FY22 and FY23**

SPPL's EBITDA margins reduced from 5.84% in FY21 to 2.52% in FY22 and remained at 2.32% in FY23. SPPL's EBITDA margin reduced mainly due to increased prices of raw materials (soya & maize) in FY22 and FY23. Consequent upon decline in EBITDA margin, Company's PBT and PAT margins also reduced.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Criteria for assigning outlook](#)

[Rating Methodology for manufacturing companies](#)

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



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### **Liquidity – Adequate**

The liquidity position of the company is adequate marked with the fact that the expected gross cash accruals of the company are likely to remain favourable relative to its debt-servicing obligations during FY24-FY26. Further, company has reported current ratio at 1.61x as on March 31, 2023. SPPL's average working capital utilization for twelve months ended July 2023 stands at 93.00%. SPPL has cash and bank balance of Rs. 0.49 crore as on March 31, 2023.

### **About the Company**

SPPL was established in 2019 in Tamil Nadu. Mr. A.Nagarajan is the managing director of the company. He has over three decades of experience in the poultry industry. The company is engaged in the commercial broiler producing and egg production activities with an installed capacity of around 300,000 eggs production per week, 8-10 tonnes of mash feed and 20-25 tonnes of pellet feed mill production capacity per hour.

### **Financials (Standalone):**

**Rs in Crore**

For the Year ended*/As on	31-March-22 (Audited)	31-March-23 (Provisional)
Total Operating Income	241.38	241.88
EBITDA	6.08	5.62
PAT	2.91	1.51
Total Debt	21.08	36.82
Tangible Net Worth	19.48	20.99
EBITDA Margin (%)	2.52	2.32
PAT Margin (%)	1.21	0.62
Overall Gearing ratio(X)	1.08	1.75

\* Classifications as per Infomerics standards

Status of non-cooperation with previous CRA: Nil

Any other information: Nil



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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 (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 (July 14, 2022)	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Cash Credit	Long Term	17.78	IVR BBB-/ Stable	IVR BBB-/ Stable	-	-
2.	Term Loan (GECL)	Long Term	0.83	IVR BBB-/ Stable	IVR BBB-/ Stable	-	-

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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.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.



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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
Cash Credit	-	-	Revolving	17.78	IVR BBB-/ Stable
Term Loan (GECL)	-	-	October 2024	0.83	IVR BBB-/ Stable

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

**Annexure 3: Facility wise lender details**

<https://www.infomerics.com/admin/prfiles/len-SPPL-oct23.pdfv>

**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).