



Press Release

Sri Venkateswara Poultry Farms

March 07, 2025

Rating

Security / Facility	Amount (Rs. crore)	Current Rating	Previous Rating	Rating Action	Complexity Indicator
Long Term Bank Facilities	28.10	IVR BB-; Stable (IVR Double B Minus with Stable Outlook)	-	Assigned	Simple
Total	28.10 (Rupees twenty-eight crore and ten lakh only)				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

The rating assigned to the bank facilities of Sri Venkateswara Poultry Farms (SVPF) derives comfort from established track record of the entity under experienced proprietor, low supplier concentration risk and favourable demand outlook of Indian poultry industry. However, these rating strengths are partially offset by SVPF's small scale of operations along with thin profit margins, moderate capital structure with adequate debt protection metrics, impact of fluctuations in raw material prices on profitability, highly fragmented and competitive nature of poultry industry with outbreaks of bird flu, exposure to cyclicity of the poultry sector, elongated operating cycle and proprietorship nature of its constitution.

The stable outlook of the firm is backed by improvement in the poultry industry and support from the experienced proprietor.

Key Rating Sensitivities:

Upward Factors

- Significant growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals on a sustained basis
- Sustenance of the capital structure with improvement in debt protection metrics
- Improvement in working capital management leading to improvement in working capital cycle and consequent improvement in liquidity

Downward Factors



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- Moderation in the capital structure with overall gearing ratio deteriorated to over 2x.
- Further elongation in operating cycle impacting the liquidity
- Dip in revenue and/or moderation in profitability impacting the debt protection metrics on a sustained basis

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced proprietor with established track record of the firm

Mr. B. Madhusudan Reddy, the proprietor of SVPF has an experience of over 15 years in the poultry industry. He has been managing the business after his father's demise from 2011 onwards and is supported by a team of personnel engaged in the day-to-day operations of the firm. SVPF has a long-term presence in the market for around 20 years and the proprietor also has good relations with its suppliers and customers, which has resulted into repeated orders.

Low supplier concentration risk

The poultry feed is the major raw material procurement expense which is incurred by the firm. The top five suppliers account for ~36% of total purchases for FY24 [FY refers to the period from April 01 to March 31], indicating low supplier concentration risk and the firm's low dependency on any particular supplier.

Favourable demand outlook of Indian poultry industry

The demand outlook of Indian poultry industry remains favourable as poultry products like eggs have large consumption across the country in form of different types of food dishes at home as well as in restaurants and bakeries for preparation of cakes, cookies and biscuits. 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 is sustainable and accordingly, the poultry industry is relatively insulated from the economic cycle.

Key Rating Weaknesses

Small scale of operations with thin profit margins

SVPF's scale of operation remains small with revenue growth at a CAGR of ~4% during FY22-FY24. The total operating income (TOI) registered a y-o-y growth of ~9% in FY23 and increased from Rs.37.08 crore in FY22 to Rs.40.37 crore in FY23 and by ~0.09% in FY24 to Rs.40.40 crore. The muted growth in revenue from FY23 to FY24 is due to high poultry feed



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supplement expenses and fluctuating egg prices. The EBITDA margin of the firm remained comfortable over the past three fiscal years with a margin of 6.53% in FY22 and 6.47% in FY23 respectively which improved significantly to 9.11% in FY24. The decline in the production cost of the firm by ~7% in FY24 in comparison to FY23 is due to low prices of soya and maize which has led to improved EBITDA margin in FY24. However, on account of increase in finance charges, PAT margin although remained thin yet improved from 0.95% in FY22 to 1.02% in FY23 and further to 1.12% in FY24. Net cash accruals of the firm remained adequate in FY24 at Rs.0.91 crore to repay the debt obligation of Rs.0.37 crore. The small scale of operation exposes the firm to the risk of business downturn and restricts its ability to absorb any temporary disruption. In H1FY25, the firm has achieved a revenue of ~Rs.25 crore.

Moderate capital structure with adequate debt protection metrics

The capital structure of the firm remains moderate marked by long term debt equity ratio of 0.34x and overall gearing ratio of 1.69x respectively as on March 31, 2024 as against 0.48x and 1.45x respectively as on March 31, 2023 due to an increase in its total debt in March 31, 2024. The total indebtedness marked by TOL/TNW also remains moderate at 2.23x as on March 31, 2024 as against 2.14x March 31, 2023. The debt protection metrics as indicated by interest coverage ratio though moderated due to increase in finance charges in FY24 yet remained adequate at 1.32x in FY24 as against 1.52x in FY23. The Total debt to EBITDA although remained high yet improved from 8.26x as on March 31, 2023 to 7.83x as on March 31, 2024 and Total debt to NCA has remained high in past two fiscals at 23.75 years as on March 31, 2023 and 31.78 years as on March 31, 2024.

Impact of fluctuations in raw material prices on profitability

The profit margins of the firm stand exposed to fluctuations in prices of the key raw material component i.e. poultry feed which includes maize, soya, sunflower cake, de-oiled rice bran and broken rice (one-eighth of rice seed) along with poultry feed supplements. The raw material consumption accounts for the major chunk of the total operating expenses. Also, prices of maize, soya, sunflower cake, de-oiled rice bran and broken rice are in turn dependent on agro-climatic conditions, international prices, Government regulations and demand from the poultry sector. Hence any adverse movement in the raw material prices could impact the profitability margins of the firm. Apart from the fluctuating raw material prices, the National Egg Coordination Committee also plays a crucial role in determining egg prices contributing to the volatility in the market.



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Highly fragmented and competitive nature of poultry industry with outbreaks of bird flu and exposure to cyclical nature of the poultry sector

Poultry farms dealing with the business of eggs are food items of regular consumption and stable demand. This feature of poultry farm business attracts many unorganised players. Going further, low entry barriers in these highly competitive segments may lead to oversupply situation which in turn may affect the profitability of the firm. In addition, it might limit the pricing flexibility, and bargaining power of SVPF. Further, the intermittent outbreaks of bird flu have affected the poultry industry since 2006. Such contagious disease outbreaks will have a high impact on the industry thereby leading to crash in prices of table eggs and exposure to cyclical nature associated with the poultry sector. However, the firm has taken appropriate measures for protecting its birds from bird flu through vaccinations and by providing them poultry feed supplements.

Elongated operating cycle

The operating cycle of the firm remained elongated over the past three years ranging from 119 days in FY22 to 246 days in FY23 and 323 days in FY24 marked by its high inventory holding requirements. The inventory period is elongated due to the layer birds being reared until it starts to lay eggs and also maintaining a stock of the poultry feed for the layers. The firm requires to store poultry feeds for the poultry business as the feeds are mostly agro-based food items like soya, maize, de-oiled rice bran and the availability for the same are mostly on a seasonal basis.

Proprietorship nature of its constitution

SVPF is a proprietorship concern with limited ability to raise capital as it has restricted access to external borrowings where net-worth and credit worthiness of the proprietor affect the decisions of prospective lenders. Further, it is susceptible to risks of withdrawal of proprietor's capital.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria of assigning rating outlook](#)

[Policy of default recognition](#)



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Criteria – Complexity Level of Rated Instruments/Facilities

Liquidity – Adequate

The firm earned gross cash accrual of Rs. 0.91 crore to serve its low debt obligation of Rs.0.37 crore in FY24. The liquidity profile of SVPF is expected to remain adequate as the firm is expected to generate adequate gross cash accruals to serve its negligible debt obligations. Moreover, the current ratio also remained comfortable at 1.43x as on March 31, 2024. The average fund-based utilization of the firm however remained high at ~98% during the past 10 months ended in January 2025 indicating limited liquidity buffer for the firm.

About the Firm

Sri Venkateswara Poultry Farms is a Hyderabad based proprietorship concern established in the year 2005 by Mr. B. Madhusudan Reddy. After his demise in 2011, his son Mr. B. Samarasimha Reddy took over the business completely. The firm is engaged in the business of production of eggs that are sold to various retailers based in Hyderabad, Telengana.

The firm initially had a poultry unit with a capacity of 1,25,000 layer birds and in December 2010, the capacity was increased with additional 2,40,000 layer birds to a total strength of 3,65,000 layer birds. At present the strength of the poultry unit has further increased to a total of 4,30,000 layer birds.

Mr. B. Samarasimha Reddy has another proprietorship firm named M/s Saibaba Filling Station at Saidabad and Ragannaguda locality in Hyderabad district, Telengana.

Financials (Standalone):

For the year ended* / As On	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	40.37	40.40
Total Income	40.38	40.42
EBITDA	2.61	3.68
PAT	0.41	0.45
Total Debt	21.56	28.80
Adjusted Tangible Net worth	14.82	17.05
EBITDA Margin (%)	6.47	9.11
PAT Margin (%)	1.02	1.12
Overall Gearing Ratio (x)	1.45	1.69
Interest Coverage Ratio (x)	1.52	1.32

**Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: Nil

Any other information: None



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Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Rating (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					-	-	-
1	GECL	Long Term	0.60	IVR BB-; Stable	-	-	-
2	Cash Credit	Long Term	27.50	IVR BB-; Stable	-	-	-

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About Infomerics:

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Annexure 1: Security/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
GECL	-	-	-	January 2027	0.60	IVR BB-; Stable
Cash Credit	-	-	-	-	27.50	IVR BB-; Stable

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-SriVenkateswara-mar25.pdf>

Annexure 3: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated /combined analysis: 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.