

INDIAN POULTRY INDUSTRY

Earnings to remain under pressure
over next few quarters

FEBRUARY 2024



What's Inside...

1 Trend in input prices



2 Trend in realisations



3 Long-term growth drivers



4 Key challenges and opportunities



5 Bird flu - a key vulnerability



6 ICRA's outlook



7 ICRA's ratings



8 Annexure





Click to see full report

After improving in the early part of the current fiscal, broiler meat realisations declined in the last few months owing to high placements and excess supply in key markets. ICRA expects prices to rebound gradually over the next few quarters as the demand-supply dynamics improve.

Feed costs moderated in 9M FY2024. However, with a decline in kharif output for soyabean and maize, and flat rabi sowing for the latter, grain prices may rise again and exert pressure on poultry companies' margins in the next few quarters.



ICRA expects the domestic poultry industry¹ to witness a ~5-6% improvement in YoY revenue growth in FY2025, after an estimated modest YoY growth of ~3-4% in FY2024. This improvement will be supported by the increasing share of organised players, evolving consumer food habits and growing preference for value-added products. However, the volatility in broiler meat realisations will persist. The realisations improved during April-October 2023. However, the realisations declined from November 2023 due to oversupply in key markets. Going forward, ICRA expects a gradual price revival as the demand-supply scenario corrects over the next few quarters.



The earnings profile of poultry companies in 9M FY2024 was supported by a combination of steady volumes, improvement in realisations and lower raw material costs after being impacted in FY2023 due to high feed costs. Average maize prices (~65-70% of feed cost) decreased by ~9% during April-November 2023 vis-à-vis FY2023. Likewise, soyabean prices (~30% of feed cost) softened in the current fiscal and average prices in 9M FY2024 declined by ~14% vis-à-vis FY2023. However, significant contraction in soyabean harvest during the kharif season and delayed sowing of maize may result in a potential spike in feed costs and is likely to exert pressure on the margins of poultry companies. Supported by the improvement in profitability in 9M FY2024, ICRA expects the operating profit margin (OPM) of its sample set companies to witness a YoY improvement of 180-220 bps in FY2024. However, earnings will remain under pressure in the next few quarters and may revive subsequently.



The industry credit profile remains vulnerable to the inherent volatility in earnings. Over the medium to long term, ICRA expects the demand to be favourable, supported by a rising urban population, changing food habits and growing penetration of quick-service restaurants. Poultry companies are expected to keep investing in value-added products, such as processed chicken as well as backward integration (into feed mills) and efficiency improvement initiatives.



Widespread global bird flu outbreaks remain a cause for concern and a key vulnerability for the Indian poultry industry. While there have been some outbreaks in countries like the UK in the current fiscal, India witnessed a few localised cases, with the latest being in Andhra Pradesh in February 2024. The demand may be impacted in case of a widespread national outbreak, resulting in a contraction of realisations. With the current prices already under pressure, the same will affect the profitability of poultry companies.

¹ ICRA's sample set companies include Abis Exports, Abis Sampoorana, CPF (India), Japfa Comfeed, Shalimar Hatcheries, Siddhivinayak Poultry Breeding Farm and Hatcheries, SKM Animal Feeds, Suguna Foods, Life Line Feeds India, Life Line Hatcheries, Premium Chick Feeds and Yojana Poultry.



ICRA

Analytical Contact Details

Name	Designation	Email	Contact Number
Shamsher Dewan	Group Head	shamsherd@icraindia.com	0124 – 4545 328
Kinjal Shah	Co-Group Head	kinjal.shah@icraindia.com	022 – 6114 3442
Sheetal Sharad	Sector Head	sheetal.sharad@icraindia.com	0124 – 4545 374
Nishant Misra	Senior Analyst	nishant.misra@icraindia.com	0124 – 4545 862





ICRA

Business Development and Media Contact Details

Name	Designation	Email	Contact Number
L Shivakumar	Chief Business Officer	shivakumar@icraindia.com	022-61693304
Neha Agarwal	Head – Research Sales	neha.agarwal@icraindia.com	022-61693338
Rohit Gupta	Head Business Development - Infrastructure Sector	rohitg@icraindia.com	0124-4545340
Vivek Bhalla	Head Business Development - Financial Sector	vivek.bhalla@icraindia.com	022-61693372
Vipin Saboo	Head Business Development – Corporate Sector - West & East	vipin.saboo@icraindia.com	022-61693348
Shivam Bhatia	Head Business Development – Corporate Sector - North & South	shivam.bhatia@icraindia.com	0124-4545803
Naznin Prodhani	Head – Media & Communications	communications@icraindia.com	0124-4545860





© Copyright, 2024 ICRA Limited. All Rights Reserved.

All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable. Although reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies, while publishing or otherwise disseminating other reports may have presented data, analyses and/or opinions that may be inconsistent with the data, analyses and/or opinions in this publication. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.



ICRA

Thank You!