

November 05, 2025

SKM Animal Feeds and Foods (India) Private Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term/ Short-term – fund-based limits	275.00	275.00	[ICRA]A (Stable)/[ICRA]A2+; Reaffirmed
Short-term – fund-based – sublimits	(200.00)	(200.00)	[ICRA]A2+; Reaffirmed
Short-term – non-fund based limits	200.00	200.00	[ICRA]A2+; Reaffirmed
Total	475.00	475.00	

*Instrument details are provided in Annexure-I

Rationale

The reaffirmation of the ratings for the bank lines of SKM Animal Feeds and Foods (India) Private Limited (SKM/ the company) factors in its well-established business profile, with presence across animal feeds, poultry livestock, vegetable oil, and trading segments, and its dominant presence in the animal feeds market in South India. The promoters have close to four decades experience in the poultry and animal feed business, which has supported SKM in establishing strong relationships with its customers and suppliers. SKM has a diversified product portfolio of animal feed (57.9% of revenues in FY2025), processed chicken and live birds (33.5%), vegetable oils (8.1%), and trading, mitigating its earnings from product-specific risks to an extent. SKM's feed division is further diversified between cattle feed and poultry feed, thus, insulating its earnings from any adverse shocks in each segment to an extent. The ratings also draw comfort from the company's comfortable capital structure, with a gearing of 0.5 times as on March 31, 2025 (as per provisional financials) supported by reinvestment of earnings in the business, moderate capex over the years and low working capital intensity.

SKM's operating income contracted in FY2025 by 0.9% YoY to Rs. 3,962.0 crore, impacted by weakness in the livestock segment, wherein revenues contracted by 15.1% on a YoY basis. The company's operating margins have been volatile over the years, ranging from sub 2% to 10% in the last few years. In FY2025, the operating margins contracted to 2.2% from 3.4% in FY2024, largely impacted by high mortality rates and subdued realisations in the livestock segment (especially in the Karnataka region), due to climatic conditions and diseases. The company plans to close the loss-making livestock unit in Karnataka and is evaluating improvement in efficiency and mortality (including review of breed) in Tamil Nadu, going forward, which are together expected to support it in reducing the losses from the livestock segment and turn around its operations. The ratings also draw comfort from the steady performance of the animal feed and vegetable oil segments, wherein the margin improvement has helped partially offset the weakness in the livestock segment.

While the company's coverage indicators weakened in FY2025 on account of the challenges in the livestock segment (Total Debt to OPBDITA was 3.2x in FY2025 while interest coverage was 3.8 times in FY2025), these are expected to gradually revive, on the back of cost-optimisation and margin improvement measures undertaken by the company. Meanwhile, comfort continues to be derived from the limited reliance on external borrowings, and absence of debt-funded capex plans. However, risks pertaining to cyclical, regional concentration, competition and disease outbreaks, on revenues and earnings continue.

The Stable outlook on the long-term rating factors in ICRA's expectation that the company will sustain its overall credit profile supported by the stable demand outlook for its products and its established presence in South India, along with adequate liquidity and anticipated improvement in debt metrics.

Key rating drivers and their description

Credit strengths

SKM remains a dominant player in the animal feed business in South India; extensive experience of promoters – The company was established by Mr. SKM Maeilanandhan in 1981 and is currently managed by his son, Dr. M Chandrasekar, with cumulative experience of close to four decades in the poultry and animal feed business. This has supported SKM in establishing strong relationships with its customers and suppliers. SKM continues to hold a dominant market position (around 17-20%) in the feed segment in South India, especially in Tamil Nadu, Karnataka, and Kerala.

Diversified revenue base – SKM has a diversified product portfolio of animal feed, processed chicken and live birds, vegetable oils, and trading. SKM's feed division also supplies cattle feed, thus, insulating its earnings from any adverse shocks in the poultry segment to an extent. The diversified revenue base mitigates the company's earnings from product-specific risks to an extent.

Comfortable capital structure – SKM's capital structure remained comfortable with gearing of 0.5 times as on March 2025 (PY: 0.6x) supported by reinvestment of earnings in the business, moderate capex in the last few years and low working capital intensity (NWC/OI of 10.3% in FY2025). The company does not have any long-term borrowings on its books and utilises its sanctioned working capital facilities partially to meet its working capital requirements. ICRA expects the capital structure to remain comfortable going forward as well, supported by anticipated steady accruals and absence of debt-funded capex over the medium term.

Credit challenges

Profit margins vulnerable to price volatility in raw material (RM) prices; livestock segment continues to report net losses – SKM's operating margins have remained volatile over the years, impacted by raw material price fluctuations and limited pricing power in the livestock segment, and has ranged from sub-2% to 10% in the last few years. In FY2025, the company's operating margins remained thin at 2.2%, given the nature of business with limited value addition. The fluctuations in profit margins have, in turn, led to volatility in earnings for the company. Further, SKM's livestock segment has been reporting continued net losses since FY2022. The company has undertaken several cost optimisation/margin improvement measures and intends to downsize and close its livestock operations in Karnataka, which is likely to improve its earnings, going forward.

Exposed to inherent risks from disease outbreaks and industry cyclicality – Akin to other poultry players, SKM is susceptible to risks arising from potential outbreak of avian influenza (bird flu). SKM's margins also remain vulnerable to the inherent cyclicality in the poultry industry. However, its revenue diversification and adequate liquidity mitigate the risks to an extent.

Intense competition from unorganised and organised players; revenues concentrated in South India – SKM faces stiff competition from both organised and unorganised players owing to limited entry barriers, and the commoditised nature of its business. Limited value addition and relatively high competition have resulted in limited pricing flexibility for industry players. Further, the company's revenues are concentrated in South India, with Tamil Nadu generating around 60-70% of its revenues. This exposes the company to region-specific risks.

Liquidity position: Adequate

The company's liquidity position remains adequate supported by steady free cash flow generation of Rs. 20.0-40.0 crore p.a., in addition to unencumbered cash and bank balances of Rs. 24.3 crore as on March 31, 2025 (Rs. 19.8 crore as on September 30, 2025). Further, the company has an undrawn working capital limit of over Rs. 100.0 crore as on March 31, 2025. While the company's free cash balances have reduced vis-à-vis historical levels, it is expected to continue to maintain adequate buffer in the working capital limit for meeting any operational requirements. Against these sources of cash, the company has nil term

debt repayments, and limited capex plans of Rs. 30-40 crore annually. Overall, ICRA expects the company to meet its medium-term commitments through internal sources of cash and yet be left with a cash surplus.

Rating sensitivities

Positive factors – ICRA could upgrade SKM’s rating if the company is able to demonstrate a sustained improvement in its revenues and margins, with meaningful reduction in losses from the livestock segment, to support improvement in its earnings and coverage indicators on a sustained basis.

Negative factors – Negative pressure on SKM’s rating could arise with sharp and sustained deterioration in cash flow from operations, liquidity and credit metrics. Specific metrics resulting in a rating downgrade includes interest cover of less than 5.0 times on a sustained basis. Any large impact on the credit profile from disease outbreaks could also result in a downgrade.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	The ratings are based on the company’s standalone financials.

About the company

SKM Animal Feeds and Foods (India) Limited was promoted by Mr. SKM Maeilanandhan in 1981 for producing poultry and cattle feed. The company started with a feed plant in 1983 and later ventured into the business of manufacturing and marketing edible oils as backward integration for the feed business. SKM currently has a diversified product portfolio comprising animal feed, processed chicken and live birds, vegetable oils, and trading. The company’s operations are based in Erode, Tamil Nadu. It is managed by Dr. M Chandrasekar, the son of the founder, and is wholly owned by the promoters.

Key financial indicators

Standalone	FY2024	FY2025*
Operating income	3999.5	3962.0
PAT	12.9	21.1
OPBDITA/OI (%)	3.4%	2.2%
PAT/OI (%)	0.3%	0.5%
Total outside liabilities/Tangible net worth (times)	0.9	0.8
Total debt/OPBDITA (times)	2.4	3.2
Interest coverage (times)	5.6	3.8

Source: Company, ICRA Research; Note: Amount in Rs. crore; PAT: Profit after Tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Financial ratios in the report are ICRA adjusted figures and may not be directly comparable with results reported by the company in some instances; *Provisional

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current rating (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	November 05, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Fund Based-Cash Credit	Long Term/Short Term	275.00	[ICRA]A (Stable)/[ICRA]A2+	Oct 15, 2024	[ICRA]A (Stable) / [ICRA]A2+	Jul 31, 2023	[ICRA]A (Stable) / [ICRA]A1	May 31, 2022	[ICRA]A (Stable) / [ICRA]A1
Non Fund Based-Letter of Credit	Short Term	200.00	[ICRA]A2+	Oct 15, 2024	[ICRA]A2+	Jul 31, 2023	[ICRA]A1	-	-
Interchangeable- Others	Short Term	(200.00)	[ICRA]A2+	Oct 15, 2024	[ICRA]A2+	Jul 31, 2023	[ICRA]A1	May 31, 2022	[ICRA]A1
Unallocated-Unallocated	Long Term/Short Term			Oct 15, 2024	[ICRA]A (Stable) / [ICRA]A2+	Jul 31, 2023	[ICRA]A (Stable) / [ICRA]A1	-	-
Fund Based-Term Loan	Long Term			-	-	-	-	May 31, 2022	[ICRA]A (Stable)
Fund Based-Cash Credit	Short Term			-	-	Jul 31, 2023	[ICRA]A1	May 31, 2022	[ICRA]A1
Unallocated-Unallocated	Short Term			-	-	Jul 31, 2023	[ICRA]A1	May 31, 2022	[ICRA]A1

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term / Short term-fund based limits	Simple
Short term- fund based - Sublimit	Simple
Short Term-Non fund based limits	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Cash Credit/WCDL	NA	NA	NA	275.00	[ICRA]A (Stable)/ [ICRA]A2+
NA	Sublimit WCDL	NA	NA	NA	(200.00)	[ICRA] A2+
NA	Letter of Credit	NA	NA	NA	200.00	[ICRA] A2+

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis – Not applicable

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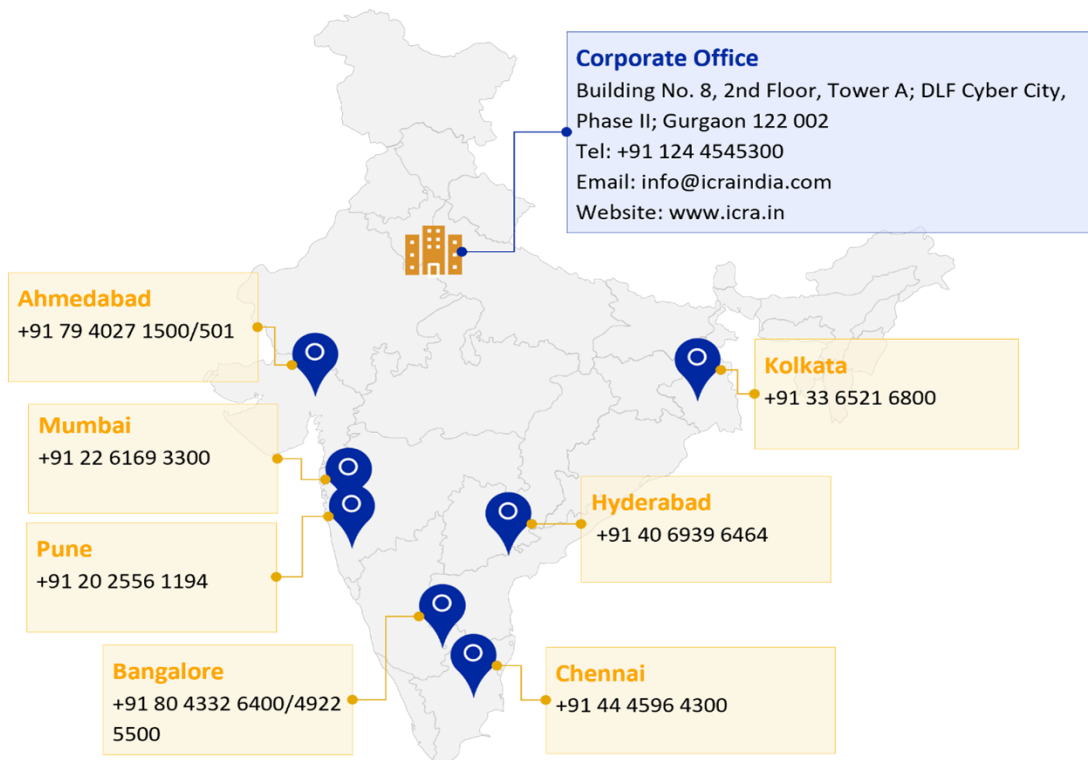


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