Godrej Agrovet Limited

Instrument	Amount	Rating Action
Long-term, Fund-based facilities	Rs. 60 crore	[ICRA]AA (stable) reaffirmed
Long-term, Non Convertible Debenture Programme	Rs. 150 crore	[ICRA]AA (stable) reaffirmed
Commercial Paper Programme	Rs. 650 crore (enhanced from Rs. 550 crore)	[ICRA]A1+ reaffirmed
Short-term, Non fund-based facilities	Rs. 70 crore (enhanced from Rs. 20 crore)	[ICRA]A1+ reaffirmed
Short-term, Short term loans	Rs. 395 crore (enhanced from Rs. 197.5 crore)	[ICRA]A1+ reaffirmed

ICRA has reaffirmed long term rating of [ICRA]AA (pronounced ICRA double A) to the Rs. 60 crore[1] fund based bank limits and Rs. 150 crore Non Convertible Debenture programme of Godrej Agrovet Limited (GAVL)[2]. The long term rating carries stable outlook. ICRA has also reaffirmed [ICRA]A1+ (pronounced ICRA A one plus) rating for the Rs. 70 crore (enhanced from Rs. 20 crore) non fund based limits, Rs. 395 crore (enhanced from Rs. 197.5 crore) fund based short term loans and Rs. 650 crore (enhanced from Rs. 550 crore) Commercial Paper programme of GAVL.

The reaffirmation of ratings takes into account GAVL's strong business profile characterised by its presence in diverse agri focused businesses like animal feeds, agri inputs, palm oil plantations, hybrid seeds, etc. as well as its healthy financial profile marked by modest revenue growth amidst challenging business environment during the last fiscal, healthy capital structure as well as coverage indicators and favourable working capital cycle. During FY2016, despite facing headwinds in its core business segments (especially animal feeds) owing to second consecutive weak monsoons, the company's revenues witnessed a modest growth along with limited impact on its margins thanks to its diversified business portfolio. During the same period, the company also acquired significant stake in Astec Lifesciences Limited (53.63%) and Creamline Dairy Products Limited (increased stake from 26% to 51.91%) thus making them its subsidiaries. The relatively large acquisitions coupled with challenging environment in its core business operations led to spike in the working capital intensity levels as well as marked increase in the overall borrowings, especially on the short term front. Though this has impacted company's capital structure and coverage indicators in the last fiscal, these key debt metrics continue to remain at favourable levels. Moreover, the likelihood of favourable monsoons is expected to have a positive impact on GAVL's operating and financial performance in the current fiscal.

Despite its dominant position in the organised animal feed industry, GAVL's cost structure and profitability remain susceptible to raw material price fluctuations due to its exposure to a highly price sensitive consumer segment. ICRA however derives comfort from GAVL's strong parentage by virtue of being a part of the Godrej group. In the near to medium term, ICRA expects GAVL to derive significant synergistic benefits from the above mentioned acquisitions as it looks to further expand and diversify its agri business profile. Going forward, GAVL's performance in terms of managing these acquisitions along with success of monsoons which so far have been satisfactory would remain key rating sensitivities and would be closely monitored.

Company Profile

Godrej Agrovet Limited (GAVL) is a part of the Godrej Group, which is engaged in diverse business segments spanning Home appliances, FMCG, consumer products, Industrial products (process plant and equipment), Oleo chemicals, animal feed, real estate development and oil palm plantation through various group companies.

GAVL's product segments primarily cater to the rural sector and agricultural community. On a standalone basis, the company has three major business segments, namely, animal feed, agri inputs and vegetable oil (oil palm

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[1] 100 lakh = 1 crore = 10 million

[2] For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.

plantation). The company is one of the largest organised animal feeds manufacturer in India. Its product portfolio comprises cattle, poultry, fish and specialty feed categories. It has over 60,000 hectares of palm oil palm plantations spread across 7 states and manufactures crude palm oil, palm kernel oil and palm kernel cake. It is also a niche player in select agri inputs like insecticides, fungicides, soil conditioners and organic manure with a pan-India network of ~1,900 distributors.

On a consolidated basis, the company through its subsidiaries and joint ventures has interests in businesses like dairy (Creamline Dairy Private Limited), agrochemicals (Astec Lifesciences Limited) and integrated poultry (Godrej Tyson Foods Limited). GAVL is a 60.81% subsidiary of Godrej Industries Limited {rated [ICRA]AA (stable)/[ICRA]A1+}.

Recent results:
As of FY2016, on a standalone basis, the company has recorded an operating income of Rs. 3,551.3 crore and posted a PAT of Rs. 159.3 crore.

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