

April 27, 2023

## Abis Exports (India) Private Limited: Ratings reaffirmed; rating for commercial paper withdrawn

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term – Fund-based – Working capital/ cash credit	620.00	765.00	[ICRA]AA- (Stable); Reaffirmed
Short term – Fund-based – Working capital	30.00	-	-
Long term – Fund-based – Term loans	1003.16	888.26	[ICRA]AA- (Stable); Reaffirmed
Short term – Non-fund based	75.00	75.00	[ICRA]A1+; Reaffirmed
Long term/short term – Unallocated limit	0.10	-	-
<b>Total bank facilities</b>	<b>1728.26</b>	<b>1728.26</b>	
Short term – Commercial Paper (CP)#	100.00	100.00	[ICRA]A1+; Reaffirmed and withdrawn

\*Instrument details are provided in Annexure-1; #CP can be outside the fund-based working capital limit but the total short-term borrowings (including commercial paper, short-term debt and working capital borrowings from banks) of the company at any given point in time should not exceed the company's drawing power

### Rationale

ICRA has withdrawn the rating assigned to the Commercial Paper (CP) facility of Abis Exports (India) Private Limited (AEIPL) based on the company's request and in accordance with ICRA's policy on withdrawal of credit ratings. There is no amount outstanding against the rated CP facility.

ICRA has consolidated the financials of Abis Exports (India) Private Limited (AEIPL) and Indian Agro and Food Industries Limited (IAFL) (both part of the IB Group) along with Abis Sampoorana LLP (ASL), a 50:50 joint venture between the IB Group and the Punjab-based Sampoorana Feeds Private Limited, involved in poultry business, to arrive at the ratings. IAFL's poultry business was demerged to AEIPL with effect from April 2020. AEIPL has provided a corporate guarantee to ASL's lender. Besides, AEIPL provides funding support to ASL in the form of unsecured loans and extended credit for raw material supplies.

The ratings reaffirmation continues to consider a robust growth in the consolidated turnover in FY2023 along with healthy cash accruals from business. The consolidated operating margin is estimated to contract by around 350 basis points in FY2023 on the back of a marginal decline in broiler realisations and a sharp increase in the prices of maize, which is a major ingredient of poultry feed. However, the profits and cash accruals at an absolute level are likely to remain healthy, aided by a significant scaling up of operations. AEIPL's ongoing capex programme for expanding its capacities and increasing the backward integration is likely to result in a sustained top-line growth and an improvement in the cost structure post commissioning and stabilisation of the projects, positively impacting its credit profile. The ratings continue to draw comfort from the large scale of operations and a dominant market presence of the IB Group in the poultry and related businesses. Present across 26 states, the IB Group has an approximate market share of around 7% of the total broiler meat production in India. ICRA also notes the Group's integrated nature of operations with presence across various stages of the value chain, including manufacturing of animal feeds, grandparent farming, breeder farming, hatchery, broiler farming, layer farming, chicken processing, soya and rice bran oil extraction and refining, which strengthen the competitive position of the Group. The Group's strategic partnership with Aviagen India Poultry Breeding Company Pvt. Ltd. (Aviagen) for procurement of grandparent day-old chicks (DOCs) has helped the IB Group integrate its operations further over the past few years. Moreover, sourcing of the major portion of the poultry feed internally ensures better control over poultry feed costs, quality and availability. The ratings are, however,

constrained by the susceptibility of margins of the Group's poultry business to highly volatile feed prices, which are dependent on agro-climatic conditions (maize and soya being the main raw materials for poultry feed manufacturing), international prices and government interventions in terms of setting the minimum selling prices (MSP), export-import policies, demand from other end-user sectors etc. While arriving at the ratings, ICRA also notes the volatility in broiler realisations due to the seasonal nature of demand of poultry products in India, which has a significant bearing on the profitability of all integrators, including the IB Group. The Group, like other entities in the poultry and related businesses, is also exposed to the inherent industry risk of disease outbreaks (bird flu). However, ICRA considers various bio-security measures adopted by the Group over the years, which mitigate the risk to an extent. While successful debt tie-up and AEIPL's adequate liquidity position mitigate funding risks of the large ongoing capex, execution of the capex within the budgeted cost and estimated timeframe will remain critical from the credit perspective as a sizeable debt service obligation would arise from the capex programme.

The Stable outlook on the long-term rating reflects ICRA's opinion that the Group's overall business profile will remain strong, supported by a sustained turnover growth and increasing backward integration, supporting the cost structure. Its consolidated financial profile is likely to remain strong with healthy cash accruals, a conservative capital structure and comfortable debt coverage metrics despite the sizeable debt-funded capex.

## Key rating drivers and their description

### Credit strengths

**Growing scale of operation and material cost savings expected due to increasing backward integration resulting from the ongoing capex** – The Group's consolidated operating income witnessed a CAGR of around 25% between FY2017 and FY2022, and is estimated to register a significant growth of around 17% in FY2023, driven by a consistent expansion of capacities and increasing market penetration across the country. In the recent years, the Group had set up facilities for feed manufacturing, hatchery and breeder farming outside Chhattisgarh and scaled up broiler farming integration in other states to expand its market footprint. AEIPL's large ongoing capex is aimed towards further expansion of its own infrastructure in and outside Chhattisgarh and cost reduction through increasing the level of backward integration. The capacity expansion and material cost savings expected from the ongoing capex are likely to result in healthy cash accruals, going forward, positively impacting the Group's overall credit profile.

**Large scale of operations and dominant market presence of IB Group in the poultry and related businesses with well-integrated presence across the value chain** – The IB Group has a dominant presence in the Indian animal feed and poultry industry and it is among the top few players in the domestic broiler segment. It has been in this line of business for nearly four decades and has been able to expand its geographical presence significantly over the years. ICRA expects the Group's growth momentum to continue, going forward, given AEIPL's continuing capacity expansion, strong demand prospects of the domestic poultry industry on the back of favourable socio-economic factors and low per-capita consumption at present. The Group has integrated nature of operations with its presence across various stages of the poultry value chain, including manufacturing of animal feeds, grandparent farming, breeder farming, hatchery, broiler farming, layer farming, chicken processing (at a low scale at present), soya and rice bran oil extraction and refining. These strengthen the competitive position of the IB Group, as reflected by a marked improvement in the overall scale of operations over the years and a favourable cost structure. Sales of broiler and other birds accounted for around 66% of AEIPL's total sales in FY2022, while sales of poultry feed, shrimp feed, fish feed and soya/rice bran oil together contributed around 28%, leading to diversification of revenue to an extent. AEIPL's integrated operations help it to have a greater control over the cost as well as the quality of the produce. The company is also focusing on improving the operating parameters like mortality rates and feed conversion ratio by implementing advanced vaccination technologies, promoting broiler farming by integrators in environment-controlled cages, etc.

**Tie-up with Aviagen India for sourcing of grandparent day-old chicks strengthens operational profile** – The IB Group has entered into a strategic partnership with Aviagen India for purchasing ROSS 308 Modified AP 95 variety of grandparent day-old chicks from the latter. With this agreement, the IB Group has been able to integrate its operations further by ensuring a steady supply of grandparent day-old chicks, which supported a consistent revenue growth of the Group's poultry business.

**In-house availability of poultry feed ensures quality, availability as well as better control over prices** – The main raw material required in poultry farms is feed, which accounts for the major cost, with others being the cost of day-old chicks, medicines etc. The major portion of the Group's poultry feed requirement is met internally, enabling it to have a better control on the quality, availability, and prices of the feed. The Group has a favourable feed conversion ratio, which is a critical parameter for profitability in the poultry business.

### Credit challenges

**Profitability vulnerable to movement in raw material prices** – The major raw materials required for poultry feed are maize and soya de-oiled cake. AEIPL has solvent extraction facilities for manufacturing soya de-oiled cake from soya seeds. The prices of raw materials (maize and soya seeds) remain volatile on the back of fluctuation in domestic production due to dependence on agro-climatic conditions, international prices, government regulations, and demand from the animal husbandry sector, which is susceptible to seasonality in demand. The Group's profitability, like other entities in the poultry business, will remain vulnerable to the movement in feed prices. A sharp increase in the prices of maize has resulted in a contraction of the Group's consolidated profitability in FY2023.

**Margin susceptible to highly volatile broiler realisations** – As inherent in the industry, the broiler production cost and realisations vary considerably across geographies and are impacted by the seasonality as well as local supply dynamics. However, the movement in feed prices generally follows similar trends across geographies. Volatility in broiler realisations, due to the seasonal nature of demand of poultry products in India, has a bearing on the profitability of all integrators and keep the same volatile.

**Inherent risk in poultry business** – The Group, like other entities in the poultry and related businesses, is exposed to the inherent industry risk of disease outbreaks (bird flu or avian influenza). However, ICRA considers various bio-security measures adopted by the Group over the years, which mitigate the risk to an extent.

**Risks of time and cost overrun in the large ongoing capex, given a sizeable debt service obligation arising from the same** – AEIPL is in the process of implementing a large capex for setting up feed plants, solvent extraction, refinery and hatcheries in multiple states along with solar power plants (30 MW), packaging bag manufacturing units and a soya badi plant. Some of the facilities viz. the solar power plants, hatcheries in Karnataka and Assam, a feed plant in Chhattisgarh with a packaging unit and the soya badi plant have already been commissioned. Although some delay in commissioning in case of a few facilities are likely, all the planned facilities are likely to be operational within Q1 FY2025. The cost of the capex is estimated to increase moderately by around Rs. 50 crore over the initial budget of ~Rs. 1,250 crore, and the overall debt funding is also likely to increase to around Rs. 990 crore vis-à-vis the initial estimation of around Rs. 938 crore. Successful financial closure and AEIPL's adequate liquidity position mitigate the funding risks for the capex. However, execution of the balance capex within the budgeted cost and estimated timeframe will remain critical from the credit perspective as a sizeable debt service obligation would arise from the same.

### Liquidity position: Adequate

The Group's liquidity is adequate. Its consolidated fund flow from operations is estimated to moderate to around Rs. 350 crore in FY2023 from around Rs. 510 crore in FY2022 due to a contraction in the operating profitability. However, the same is likely to remain healthy and improve, going forward. Incremental working capital requirement on the back of a significant scaling up of operations is likely to constrain the cash flow from operations to some extent, but the same is still likely to remain healthy, going forward. Out of the ongoing capex programme, around Rs. 320 crore was pending as of February 2023. However, undrawn term loans of a similar amount ensure adequate fund availability for the pending capex. In addition, sizeable undrawn working capital (around Rs. 285 crore on an average in 8M FY2023) with respect to the drawing power and healthy free cash and bank balances (more than Rs. 100 crore as of March 2023) are likely to keep the liquidity position adequate despite a significant debt repayment obligation (around Rs. 160-212 crore annually till FY2026) arising from the ongoing capex.

## Rating sensitivities

**Positive factors** – An upgrade of the long-term rating is unlikely in the near-to-medium term due to inherent risks in the poultry industry and a sizeable ongoing capex.

**Negative factors** – Pressure on the ratings may emanate from any sharp deterioration in revenue/ profit, a significant rise in debt levels or weakening of the liquidity position. Specific credit metrics that may lead to a downgrade of the ratings include weakening of DSCR below 3 times on a sustained basis.

## Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Rating Approach - Consolidation</a> <a href="#">Policy on Withdrawal of Credit Ratings</a>
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of AEIPL with two other related entities, which are enlisted in Annexure-II

## About the company

Abis Exports (India) Private Limited (AEIPL), incorporated in 1998, is promoted by Mr. Sultan Ali, Mr. Bahadur Ali and their family members. The company was set up as a part of the Indian Broiler (IB) Group's backward integration plan to provide pellet feed to the various poultry farms owned by the promoters through other Group companies. In 1998, the company had set up its first manufacturing unit in Rajnandgaon (Chhattisgarh) for producing animal feed (poultry and cattle feed) with a capacity of 100 tonnes per day (TPD). Subsequently, it expanded the poultry and cattle feed manufacturing capacity and set up facilities for producing soya DOC, fish feed, shrimp feed, pet feed, soya crude oil, rice bran crude oil and refined oils in and outside Chhattisgarh. The poultry division of the Group company, Indian Agro and Food Industries Limited (IAFL), was demerged to AEIPL with effect from April 2020. Consequently, the grandparent farming, breeder farming, broiler farming, incubation, layer farming and chicken processing facilities were transferred to AEIPL from AIFL. In the process, the pet food division of AEIPL, Drools, was demerged as a going concern to Drools Pet Food Private Limited, a newly formed company.

## Key financial indicators (audited)

AEIPL	Standalone			Consolidated*	
	FY2021	FY2022	9M FY2023^	FY2021	FY2022
Operating income	5932.9	7754.0	6499.0	5992.0	7837.3
PAT	634.5	404.7	108.1	536.8	413.0
OPBDIT/OI	13.8%	8.8%	4.6%	14.0%	9.0%
PAT/OI	10.7%	5.2%	1.7%	9.0%	5.3%
Total outside liabilities/Tangible net worth (times)	0.8	0.8	-	0.9	0.9
Total debt/OPBDIT (times)	0.8	1.5	-	0.9	1.5
Interest coverage (times)	15.2	12.4	5.0	14.0	12.0

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; \*ICRA estimates; ^Provisional

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

### Rating history for past three years

Instrument	Type	Current rating (FY2024)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as of Feb 28, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
				Apr 27, 2023	Apr 29, 2022	Apr 14, 2021	Jun 12, 2020
1 Fund-based – Working capital/ cash credit	Long term	765.00	-	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]A+(Stable)	[ICRA]A(Stable)
2 Fund-based – Working capital	Short term	-	-	-	[ICRA]A1+	-	-
3 Fund-based – Term loans	Long term	888.26	502.0	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]A+(Stable)	[ICRA]A(Stable)
4 Non-fund based – Letter of credit/ bank guarantee	Short term	75.00	-	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1
5 Interchangeable	Short term	-	-	-	-	[ICRA]A1+	[ICRA]A1
6 Unallocated limit	Long / short term	-	-	-	[ICRA]AA-(Stable)/[ICRA]A1+	-	-
7 Commercial Paper#	Short term	100.00	-	[ICRA]A1+; Withdrawn	[ICRA]A1+	[ICRA]A1+	[ICRA]A1

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### Complexity level of the rated instruments

Instrument	Complexity Indicator
Fund-based – Working capital/ cash credit	Simple
Fund-based – Term loans	Simple
Non-fund based – Letter of credit/ bank guarantee	Very simple
Commercial Paper#	Very simple

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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	Fund-based working capital/ cash credit	-	-	-	765.00	[ICRA]AA- (Stable)
NA	Term Loan- 1	Feb-17	-	FY2023	1.10	[ICRA]AA- (Stable)
NA	Term Loan- 2	Feb-17	-	FY2023	4.70	[ICRA]AA- (Stable)
NA	Term Loan- 3	Jul-18	-	FY2024	5.25	[ICRA]AA- (Stable)
NA	Term Loan- 4	Feb-19	-	FY2024	6.62	[ICRA]AA- (Stable)
NA	Term Loan- 5	Feb-19	-	FY2026	22.35	[ICRA]AA- (Stable)
NA	Term Loan- 6	Dec-19	-	FY2026	71.88	[ICRA]AA- (Stable)
NA	Term Loan- 7	Oct-20	-	FY2030	75.00	[ICRA]AA- (Stable)
NA	Term Loan- 8	Sep-19	-	FY2026	24.00	[ICRA]AA- (Stable)
NA	Term Loan- 9	Sep-20	-	FY2025	21.76	[ICRA]AA- (Stable)
NA	Term Loan- 10	Jan-19	-	FY2024	4.50	[ICRA]AA- (Stable)
NA	Term Loan- 11	Aug-21	-	FY2029	30.00	[ICRA]AA- (Stable)
NA	Term Loan- 12	Feb-22	-	FY2030	36.00	[ICRA]AA- (Stable)
NA	Term Loan- 13	Feb-22	-	FY2030	75.00	[ICRA]AA- (Stable)
NA	Term Loan- 14	Feb-22	-	FY2030	300.00	[ICRA]AA- (Stable)
NA	Term Loan- 15	Mar-22	-	FY2029	110.00	[ICRA]AA- (Stable)
NA	Term Loan- 16	Mar-22	-	FY2030	50.00	[ICRA]AA- (Stable)
NA	Term Loan- 17	Mar-22	-	FY2030	50.00	[ICRA]AA- (Stable)
NA	Term Loan- 18 (proposed)	-	-	-	0.10	[ICRA]AA- (Stable)
NA	Non-fund based – Letter of credit/ bank guarantee	-	-	-	75.00	[ICRA]A1+
Not placed	Commercial Paper (CP)#	Not placed	Not placed	Not placed	100.00	[ICRA]A1+; Withdrawn

*Source: Company; #CP can be outside the fund-based working capital limit but the total short-term borrowings (including commercial paper, short-term debt and working capital borrowings from banks) of the company at any given point in time should not exceed the company's drawing power*

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

## Annexure II: List of entities considered for consolidated analysis

Company Name	AEIPL's Ownership	Consolidation Approach
Indian Agro and Food Industries Limited (IAFL)	6.6%	Full Consolidation
Abis Sampoorna LLP (ASL)	50.0%	Full Consolidation

*Source: Company*

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