

July 26, 2023

Abis Sampoorna LLP: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term - Fund based – Term Loan	32.14	32.14	[ICRA]A(CE) (Stable); Reaffirmed
Long term - Fund based – Cash Credit	5.00	5.00	[ICRA]A(CE) (Stable); Reaffirmed
Long Term/ Short Term – Unallocated limit	23.78	23.78	[ICRA]BBB- (Stable)/ [ICRA]A3; Reaffirmed
Total	60.92	60.92	

Rating Without Explicit Credit Enhancement

[ICRA]BBB-

*Instrument details are provided in Annexure-1

Note: The (CE) suffix mentioned alongside the rating symbol indicates that the rated instrument/facility is backed by some form of explicit credit enhancement. This rating is specific to the rated instrument/facility, its terms and its structure and does not represent ICRA's opinion on the general credit quality of the entity concerned. The last row in the table above also captures ICRA's opinion on the rating without factoring in the explicit credit enhancement

Rationale

For the [ICRA]A(CE) (Stable) rating

The above rating is based on the strength of the corporate guarantee provided by Abis Exports (India) Private Limited (AEIPL), a joint venture (JV) partner of Abis Sampoorna LLP (ASL), for the rated bank facilities. The Stable outlook on the long-term rating reflects ICRA's outlook on the rating of the guarantor (AEIPL, rated at [ICRA]AA- (Stable) / [ICRA]A1+).

Adequacy of credit enhancement

The rating of the instrument is based on the credit enhancement approach, whereby the credit strength of the guarantor has been considered for upliftment of the rating of the said instrument. The guarantee is legally enforceable, irrevocable, unconditional, covers the entire amount and tenure of the rated instrument and has a well-defined invocation and payment mechanism. Given these attributes, the guarantee provided by AEIPL is adequately strong to result in an enhancement in the rating of the said instrument to **[ICRA]A(CE)** against the rating of [ICRA]BBB- without explicit credit enhancement. If the rating of the guarantor changes in the future, the same may reflect in the rating of the aforesaid instrument as well.

Salient covenants of the rated facility

During the currency of the loan, the borrower will not, without prior written consent of the lender, (a) change constitution/ composition or undertake or permit any merger, de-merger, amalgamation, consolidation, restructuring, reorganisation; (b) avail any fresh loan, (c) undertake any new project or any expansion, diversification, modernisation which are material in nature, (d) make any investments or provide any guarantee, indemnity or similar assurance, (e) make any change in the ownership/control/management.

For the [ICRA]BBB- (Stable)/[ICRA]A3 ratings

The ratings continue to draw comfort from ASL's joint venture (JV) status between the Chhattisgarh-based Indian Broiler (IB) Group, to which AEIPL belongs, and Sampoorana Feeds Private Limited (SFPL), which has an established presence in the poultry industry in Punjab. ASL has significant business linkages with the JV partners as it procures key inputs like feed and day-old-chicks from AEIPL and SFPL. ASL also receives funding support from the JV partners in the form of favourable credit terms for procurement of raw materials and unsecured loans. However, the requirement of such funding support has declined with an improvement in the cash accruals of ASL. In the current fiscal, ASL has fully paid off the unsecured loan from AEIPL. Feed production and hatching facilities set up by AEIPL in Punjab (where ASL's broiler farms are located) have reduced the landed cost of raw materials and inventory holding period for ASL. The ratings also draw comfort from ASL's favourable operating parameters, which support its operating margin. The poultry feed prices increased sharply in FY2023 primarily due to higher maize prices, which resulted in a moderation in ASL's operating margin. Nevertheless, a softening of feed prices and improved realisations in the recent months of the current fiscal are likely to have a positive impact on the entity's operating margin in FY2024. The company's profitability and cash accruals are likely to remain comfortable, going forward, aided by its efficient operations. Its capital structure and debt coverage metrics are also likely to remain favourable with reducing debt level. The ratings, however, are constrained by ASL's exposure to the volatility in feed prices as the same are primarily driven by agro-climatic conditions (maize and soya being the main raw materials for poultry feed manufacturing), international prices and government interventions in terms of fixing the minimum support price (MSP), export-import policies etc. ASL's profit margins will also remain susceptible to volatility in broiler realisations due to seasonal nature of demand of poultry products in India. The entity's regional presence exposes it to the geographical concentration risks and restricts the scale of operation. ASL, like other entities in the poultry and related businesses, will also remain exposed to the inherent industry risk of disease outbreak (bird flu).

The Stable outlook on the long-term rating reflects ICRA's opinion that ASL's financial profile will be supported by its comfortable profitability and reduction in debt level and the entity will continue to benefit from its strong operational and financial linkages with the IB Group.

Key rating drivers and their description

Credit strengths

Strong credit profile of the guarantor – The rated bank facilities availed by ASL are backed by a legally enforceable, irrevocable and unconditional corporate guarantee provided by one of its joint venture partners, AEIPL. The CE rating assigned to the bank facilities derives comfort from the strong credit profile of the guarantor (AEIPL). AEIPL's ongoing capex programme for expanding capacities and increasing 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.

Status of a joint venture between IB Group and SFPL, which have established presence in the poultry industry – ASL is a 50:50 JV between the IB Group and SFPL. The IB Group has a dominant presence in the poultry industry and is one of the largest poultry integrators, with presence across poultry and related businesses, including soya extraction and refining, rice-bran oil refining, feed manufacturing, grandparent farming, breeder farming, hatching, broiler farming, layer farming and chicken processing. SFPL also has an established presence in the poultry and cattle-feed manufacturing business and broiler farming on a contractual basis, primarily in Punjab. The extensive experience of ASL's partners is expected to benefit the entity. ASL's linkages with the IB Group and SFPL, for procurement of key inputs like feed and day-old-chicks lend operational strength. AEIPL has set up feed manufacturing and hatching units in Punjab, which mitigate raw material supply risks of ASL.

Comfortable operating parameters of ASL positively impacting profitability – ASL's feed conversion ratio (FCR) improved to around 1.6 times in the last two fiscals compared to 1.84 times in FY2021. In FY2022, the company's operating margin improved to 18.0% from 17.1% in FY2021 primarily because of lower FCR, despite a sharp increase in feed prices. In FY2023, the entity's operating margin moderated to 13.2% on the back of a significant increase in the feed costs mainly due to high maize prices.

Nevertheless, ASL's comfortable operating parameters are likely to support the profit margins and cash accruals, going forward.

Reducing debt level positively impacting capital structure and debt coverage metrics – ASL's debt level has declined significantly over the last two fiscals with repayment of term loans as well as reduction in working capital borrowing and unsecured loan from AEIPL. ASL has prepaid term loan of around Rs. 3 crore in FY2023 and has fully repaid the unsecured loan from AEIPL (outstanding balance of Rs. 2 crore as on March 31, 2023 vis-à-vis Rs. 8 crore as on March 31, 2022) in the current fiscal due to healthy cash accruals. As a result of debt reduction and comfortable accretion to reserves, ASL's gearing declined gradually to 0.7 times as on March 31, 2023 from 2.5 times as on March 31, 2021. Its debt coverage metrics have also improved over the last two fiscals and remained comfortable in FY2023, as reflected by an interest coverage of 5.7 times (5.0 times in FY2022), total debt relative to OPBDITA of 1.7 times (2.1 times in FY2022) and net cash accrual relative to total debt of 56% (37% in FY2022).

Credit challenges

Profitability vulnerable to price movement of feed – The major raw materials required for poultry feed are maize and soya de-oiled cake (DOC). The prices of the raw materials remain volatile on the back of fluctuation in domestic production due to dependence on agro-climatic condition, international prices, government regulations and demand from the animal husbandry sector, which is susceptible to seasonality. The profitability of the entity, like other entities in the poultry business, will remain vulnerable to the movement in feed prices.

Margin susceptible to highly volatile broiler realisations – As inherent in the industry, the broiler realisations vary considerably across geographies and are impacted by seasonality as well as local supply dynamics. Volatility in broiler realisations, due to the seasonal nature of demand of poultry products in India, has a bearing on the profitability of poultry players and keep the same volatile.

Limited geographical coverage restricts scale of operation – ASL has a moderate rearing capacity of around 1.25 million broiler birds in Punjab. The entity sells broiler birds mainly in Punjab along with neighbouring Delhi and Haryana, leading to geographical concentration risks and limited scale of operations.

Inherent risk in poultry business – ASL, 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 entity, which mitigate the risk to an extent.

Liquidity position

For the [ICRA]A(CE) (Stable) rating: Adequate

The liquidity position of the guarantor (AEIPL) is adequate. Its consolidated fund flow from operations moderated to around Rs. 340 crore in FY2023 from around Rs. 510 core in FY2022 due to a contraction in the operating profitability. However, the same is likely to remain healthy and improve, going forward. Despite incremental working capital requirement on the back of a significant scaling up of operations, the cash flow from operations is likely to remain healthy. Out of the company's planned capex programme, around Rs. 500 crore was pending as of March 2023 (including three new poultry feed plants added to the capex plan recently). However, undrawn term loans of a similar amount ensure adequate fund availability for the pending capex. In addition, sizeable undrawn working capital of around Rs. 290 crore with respect to the drawing power and healthy free cash and bank balances of around Rs. 125 crore as on March 31, 2023 are likely to keep the liquidity position of the consolidated entity adequate despite a significant debt repayment obligation (around Rs. 163-250 crore annually till FY2026) arising from the ongoing capex.

For the [ICRA]BBB- (Stable)/[ICRA]A3 ratings: Adequate

ASL's liquidity position is adequate. Its cash flow from operations remained comfortable at ~Rs. 16 crore in FY2023 and is likely to remain comfortable, going forward. ASL does not have any major capex plans except some normal capex and reconstruction of facilities damaged by fire earlier. It has received sanction of a fresh term loan of Rs. 6 crore, which may be utilised to fund the capex. The company's annual debt repayment obligation will remain in the range of Rs. 8-11 crore till FY2026. However, the company's cash flow from operation is likely to remain adequate for meeting the debt repayment obligation. Its working capital limit utilisation remained low in the recent months. ASL has prepaid term loan of around Rs. 3 crore in FY2023 and has also paid off the outstanding unsecured loan of Rs. 2 crore as on March 31, 2023, from AEIPL in the current year due to its adequate liquidity.

Rating sensitivities

For the [ICRA]A(CE) (Stable) rating

Positive factors – A sustained improvement in the capital structure, debt coverage metrics and liquidity of the entity may lead to a rating upgrade. An improvement in the credit profile of AEIPL (guarantor) may also result in an upgrade in ASL's ratings.

Negative factors – Pressure on the ratings will emanate from any sharp deterioration in revenues and profits or weakening of ASL's liquidity position. The specific credit metrics, which may trigger a rating downgrade include DSCR below 1.4 times on a sustained basis. Reduced operational and financial linkages of the company with AEIPL or a deterioration in the credit profile of AEIPL may also lead to a downgrade of ASL's ratings.

For the [ICRA]BBB- (Stable)/[ICRA]A3 ratings

Positive factors – A sustained improvement in the capital structure, debt coverage metrics and liquidity of the entity may lead to a rating upgrade. An improvement in the credit profile of AEIPL may also result in an upgrade in ASL's ratings.

Negative factors – Pressure on the ratings will emanate from any sharp deterioration in revenues and profits or weakening of ASL's liquidity position. The specific credit metrics, which may trigger a rating downgrade include DSCR below 1.4 times on a sustained basis. Reduced operational and financial linkages of the company with AEIPL or a deterioration in the credit profile of AEIPL may also lead to a downgrade of ASL's ratings.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology
Parent/Group Support	ICRA has considered implicit and explicit support from Abis Exports (India) Private Limited (AEIPL, rated at [ICRA]AA- (Stable)/[ICRA]A1+). AEIPL, the main entity of the IB Group and a JV partner of ASL, has provided a legally enforceable, unconditional and irrevocable corporate guarantee for the bank facilities of ASL.
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the standalone financials of ASL.

About the company

Incorporated in June 2017, Abis Sampoorna LLP (ASL) was formed by Indian Agro and Food Industries Limited (IAFL, a part of the IB Group), SFPL and Late Ashish Gupta, with 50%, 37.5% and 12.5% shares, respectively. Post transfer of the poultry business of IAFL to AEIPL, the latter has been inducted as a partner of ASL in place of IAFL. After the demise of Ashish Gupta, erstwhile partner of ASL, his wife Mrs. Ritu Gupta has been inducted as a partner. SFPL, promoted by the Gupta family, continues to remain a partner of ASL. ASL is primarily involved in broiler farming in Punjab with a capacity of around 1.25 million broiler birds at present.

Key financial indicators (audited)

ASL Standalone	FY2022	FY2023
Operating income (Rs. crore)	133.8	126.8
PAT (Rs. crore)	9.2	6.7
OPBDIT/OI (%)	18.0%	13.2%
PAT/OI (%)	6.9%	5.3%
Total outside liabilities/Tangible net worth (times)	1.6	0.8
Total debt/OPBDIT (times)	2.1	1.7
Interest coverage (times)	5.0	5.7

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation

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 Mar 31, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023		Date & rating in FY2022	Date & rating in FY2021
				Jul 26, 2023	Jan 24, 2023	Jul 21, 2022	Apr 14, 2021	Jun 12, 2020
1 Fund based – Term Loan	Long term	32.14	26.57	[ICRA]A(CE) (Stable)	[ICRA]A(CE) (Stable)	[ICRA]A(CE) (Stable)	[ICRA]A-(CE) (Stable)	[ICRA]BBB+(CE) (Stable)
2 Fund based – Cash Credit	Long term	5.00	-	[ICRA]A(CE) (Stable)	[ICRA]A(CE) (Stable)	[ICRA]A(CE) (Stable)	[ICRA]A-(CE) (Stable)	[ICRA]BBB+(CE) (Stable)
3 Unallocated limit	Long term/ Short term	23.78	-	[ICRA]BBB-(Stable)/ [ICRA]A3	[ICRA]BBB-(Stable)/ [ICRA]A3	[ICRA]BBB-(Stable)/ [ICRA]A3**	[ICRA]A-(CE) (Stable)/ [ICRA]A2+(CE)	[ICRA]BBB+(CE) (Stable)/ [ICRA]A2(CE)
4 Fund based – Working Capital Demand Loans*	Long term	-	-	-	-	-	-	[ICRA]BBB+(CE) (Stable)
5 Fund based – Overdraft*	Long term	-	-	-	-	-	-	[ICRA]BBB+(CE) (Stable)
6 Non-fund based – Bank Guarantee*	Short term	-	-	-	-	-	-	[ICRA]A2(CE)

*Sub-limit of cash credit; **[ICRA]A-(CE) (Stable)/ [ICRA]A2+(CE) withdrawn and simultaneously [ICRA]BBB-(Stable)/ [ICRA]A3 assigned

Complexity level of the rated instrument

Instrument	Complexity Indicator
Long term - Fund based – Term Loan	Simple
Long term - Fund based – Cash Credit	Simple
Long term / Short term – Unallocated limit	Not applicable

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 analyzing 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, is 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 – Term Loan	Oct 2019	-	Feb 2026	32.14	[ICRA]A(CE) (Stable)
NA	Fund based – Cash Credit	-	-	-	5.00	[ICRA]A(CE) (Stable)
NA	Unallocated limit	-	-	-	23.78	[ICRA]BBB- (Stable)/ [ICRA]A3

Source: Company

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

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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