

August 11, 2023

## Abis Exports (India) Private Limited: Change in limits

### 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	1000.00	1000.00	[ICRA]AA- (Stable); Outstanding
Short term – Interchangeable – Working capital demand loan	-	(1000.00)	[ICRA]A1+; Outstanding
Long term – Fund-based – Term loans	856.34	808.27	[ICRA]AA- (Stable); Outstanding
Short term – non-fund based	200.00	200.00	[ICRA]A1+; Outstanding
Long term – Unallocated limit	11.92	59.99	[ICRA]AA- (Stable); Outstanding
<b>Total</b>	<b>2068.26</b>	<b>2068.26</b>	

\*Instrument details are provided in Annexure-I

### Rationale

ICRA has consolidated the financials of Abis Exports (India) Private Limited (AEIPL) and Abis Sampoorana LLP (ASL), a 50:50 joint venture between AEIPL, the flagship company of the Chhattisgarh-based IB Group, and the Punjab-based Sampoorana Feeds Private Limited (SFPL), involved in poultry business, to arrive at the ratings. AEIPL has provided a corporate guarantee to ASL's lender for the latter's bank facilities. Besides, there is a track record of funding support to ASL from AEIPL in the form of unsecured loans and extended credit period for raw material supplies. Earlier ICRA had also consolidated Indian Agro and Food Industries Limited (IAFL, a part of the IB Group) along with AEIPL and ASL to arrive at the ratings. However, IAFL's poultry business was demerged to AEIPL with effect from April 2020, and no further fungibility of fund between IAFL and AEIPL remains.

The ratings continue to consider the large scale of operations and a dominant market presence of the IB Group in the poultry and related businesses, present across ~20 states. 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. Post completion of the ongoing capacity expansion at different locations, almost the entire poultry feed requirement of the company would be met internally. The company's consolidated operating margin contracted to 5.2% in FY2023 (provisional) from 9.0% in FY2022 on the back of a sharp increase in raw material costs mainly due to a rise in maize prices and a marginal decline in broiler realisations. However, an improvement in broiler realisations and a moderation in raw material prices have led to a higher operating margin of 14.5% in Q1 FY2024 vis-à-vis 10.7% in Q1 FY2023 (provisional). ICRA expects the operating margin to be higher in FY2024 compared to FY2023. AEIPL's ongoing capex programme for expanding its capacities and increasing the backward integration is likely to result in a sustained growth in the scale of operation and an improvement in the cost structure post commissioning and stabilisation of the projects, which would support its profits and cash accruals.

The ratings are, however, constrained by the susceptibility of margins of the Group's poultry business to the 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 pending 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, amid a sustained 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.

Please refer to the following link for the previous detailed rationale that captures Key rating drivers and their description, Rating sensitivities: [Click here](#).

### Liquidity position: Adequate

AEIPL's liquidity position is adequate. Its consolidated fund flow from operations moderated to around Rs. 340 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. Its cash flow from operations is likely to remain healthy despite incremental working capital requirement on the back of a significant scaling up of operations,. 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.

### Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a>
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has consolidated the financials of AEIPL with a related entity, which is 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*	
	FY2022	FY2023 <sup>^</sup>	Q1 FY2023 <sup>^</sup>	Q1 FY2024 <sup>^</sup>	FY2022	FY2023
Operating income	7754.0	9087.8	2263.8	2724.2	7837.3	9165.7
PAT	404.7	202.0	180.0	313.5	413.9	208.7
OPBDIT/OI	8.8%	5.1%	10.7%	14.5%	9.0%	5.2%
PAT/OI	5.2%	2.2%	8.0%	11.5%	5.3%	2.3%
Total outside liabilities/Tangible net worth (times)	0.8	1.1	-	-	0.9	1.1
Total debt/OPBDIT (times)	1.6	3.5	-	-	1.6	3.4
Interest coverage (times)	12.4	6.1	16.4	15.3	12.0	6.1

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs crore

Source: Company, ICRA Research; \*ICRA estimates; <sup>^</sup>Provisional

**Status of non-cooperation with previous CRA: Not applicable**

Any other information: None

**Rating history for past three years**

Instrument	Type	Amount rated (Rs. crore)	Amount outstanding as of March 31, 2023 (Rs. crore)	Current rating (FY2024)			Chronology of rating history for the past 3 years		
				Date & rating in FY2024			Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
				Aug 11, 2023	Jul 26, 2023	Apr 27, 2023	Apr 29, 2022	Apr 14, 2021	Jun 12, 2020
1 Fund-based – Working capital/ cash credit	Long term	1000.00	-	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]A+ (Stable)	[ICRA]A (Stable)
2 Interchangeable – Working capital demand loan	Short term	(1000.00)	-	[ICRA]A1+	-	-	-	-	-
3 Fund-based – Term loans	Long term	808.27	572.74	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]A+ (Stable)	[ICRA]A (Stable)
4 Non-fund based – Letter of credit/ bank guarantee	Short term	200.00	-	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1
5 Unallocated limit	Long term	59.99	-	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	-	-	-	-
6 Fund-based – Working capital	Short term	-	-	-	-	-	[ICRA]A1+	-	-
7 Interchangeable	Short term	-	-	-	-	-	-	[ICRA]A1+	[ICRA]A1
8 Unallocated limit	Long / short term	-	-	-	-	-	[ICRA]AA- (Stable)/ [ICRA]A1+	-	-
9 Commercial Paper#	Short term	-	-	-	-	[ICRA]A1+; Withdrawn	[ICRA]A1+	[ICRA]A1+	[ICRA]A1

## Complexity level of the rated instruments

Instrument	Complexity Indicator
Fund-based – Working capital/ cash credit	Simple
Interchangeable – Working capital demand loan	Simple
Fund-based – Term loans	Simple
Non-fund based – Letter of credit/ bank guarantee	Very simple
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 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	-	-	-	1000.00	[ICRA]AA- (Stable)
NA	Interchangeable – Working capital demand loan	-	-	-	(1000.00)	[ICRA]A1+
NA	Term Loan- 1	Dec-19	-	FY2026	59.64	[ICRA]AA- (Stable)
NA	Term Loan- 2	Oct-20	-	FY2030	75.00	[ICRA]AA- (Stable)
NA	Term Loan- 3	Jan-19	-	FY2024	3.00	[ICRA]AA- (Stable)
NA	Term Loan- 4	Aug-21	-	FY2029	30.00	[ICRA]AA- (Stable)
NA	Term Loan- 5	Feb-22	-	FY2030	25.00	[ICRA]AA- (Stable)
NA	Term Loan- 6	Feb-22	-	FY2030	75.00	[ICRA]AA- (Stable)
NA	Term Loan- 7	Feb-22	-	FY2030	300.00	[ICRA]AA- (Stable)
NA	Term Loan- 8	Mar-22	-	FY2029	100.13	[ICRA]AA- (Stable)
NA	Term Loan- 9	Mar-22	-	FY2030	50.00	[ICRA]AA- (Stable)
NA	Term Loan- 10	Mar-22	-	FY2030	50.00	[ICRA]AA- (Stable)
NA	Term Loan- 11	Nov-22	-	FY2028	40.50	[ICRA]AA- (Stable)
NA	Non-fund based – Letter of credit/ bank guarantee	-	-	-	200.00	[ICRA]A1+
NA	Unallocated limit	-	-	-	59.99	[ICRA]AA- (Stable)

Source: Company

[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
Abis Sampoorna LLP (ASL)	50.0%	Full Consolidation

Source: Company

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