February 13, 2025

CPF (India) Private Limited: Ratings downgraded; outlook on the long-term rating revised to 'Negative' from 'Stable'

Summary of rating action

Instrument	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Term Loans	131.22	23.55	[ICRA]BB+(Negative); downgraded from [ICRA]BBB- and outlook revised to Negative from Stable
Short term – Fund based	960.00	835.00	[ICRA]A4+; downgraded from [ICRA]A3
Long-term – Unallocated	86.54	2.68	[ICRA]BB+(Negative); downgraded from [ICRA]BBB- and outlook revised to Negative from Stable
Total	**1,177.76**	**861.23**	

**Instrument details are provided in Annexure-I*

Rationale

The rating action follows CPF (India) Private Limited's (CPFIPL) sustained weak performance and ICRA's expectation that it would continue to remain subdued in FY2025 as well. Despite its strategic cost-reduction initiatives, the company's performance is expected to remain weak in FY2025 following its relatively high fixed expenses and underutilisation of capacities, amongst other reasons. The company's debt coverage metrics are also likely to remain stretched in FY2025, as a cascading effect of the weak performance. Its ability to achieve material improvement in margins and cash flows would be a key monitorable.

ICRA notes the ongoing delays in the servicing of a term loan in CPFIPL's joint venture company, Andhra Pradesh Broodstock Multiplication Centre Private Limited (APBMC), and classification of APBMC as a non-performing asset as on date. Rs. 1.86 crore was unpaid as on December 31, 2024 and CPFIPL has extended a letter of comfort for this loan to APBMC's lender. While CPFIPL has adequate liquidity currently, ICRA will continue to monitor for any risks emanating from the aforementioned event on CPFIPL's operations, financial flexibility and liquidity position.

The ratings, however, positively factor in the healthy operational and financial support enjoyed by CPFIPL from Charoen Pokphand Foods Public Company Limited, Thailand (CP Foods) through its wholly owned subsidiary, CPF Investment Limited. Apart from periodic technological inputs, CPFIPL has received regular equity infusions from the parent in the past, and these are likely to continue going forward as well, should there be a need. Until December 2024, the parent had infused ~Rs. 2,100 crore, with the latest equity infusion being Rs. 595.0 crore in H1 FY2024. The ratings also consider CPFIPL's diversified revenue base and its established presence in the domestic poultry and aqua businesses. However, the company has relatively high geographical concentration in South India and its revenues/margins are vulnerable to risks arising from disease outbreaks (both in the poultry and aqua division) and the inherent cyclicality in the poultry industry.

Key rating drivers and their description

Credit strengths

Strong financial and operational support as part of the Thai-based CPF Group – CPFIPL is a wholly owned subsidiary of CPF Investment Limited, which in turn is a wholly owned subsidiary of CP Foods, Thailand. The ultimate parent is an established global player in livestock and aquaculture businesses, spread across 17 countries, with exports to about 50 countries and consolidated revenues of close to Rs. 1,80,000 crore in CY2023. Apart from periodic technological inputs, CPFIPL has received regular equity infusion from the parent in the past, and it is likely to continue going forward as well, as and when required.

The parent has infused ~Rs. 2,100 crore equity into the company since FY2013 for CPFIPL's business requirements including growth, capex and loss funding, the latest of which was Rs. 595.0 crore in H1 FY2024.

Diversified revenue base; established presence in the Indian shrimp feed and poultry segments – The company's revenues are diversified across its aqua (~64% of its revenues in H1 FY2025, wherein the company primarily sells shrimp feed, processed shrimp and shrimp seed) and poultry businesses (~36% of the revenues in H1 FY2025, wherein the company primarily sells broilers, broiler feed, processed chicken and has Quick Service Restaurant (QSRs)). The diversification mitigates risks arising from loss of revenues to competition in a particular segment, to an extent. Further, the company remains one of the leading shrimp feed players in the country and is an established player in poultry as well.

Credit challenges

Operating losses in FY2024 and H1 FY2025; stretched coverage metrics – In the recent years, the company has been increasingly focussing on margin-accretive products including processed chicken in its poultry division. However, the incremental revenues from the same were inadequate to compensate for the lost revenues in broiler business. Further, in aqua division, the company exited the fish feed business because of relatively low margins in the product. The subdued global demand for shrimp products and relatively high competition, resulted in inadequate compensation for the loss in revenues from the fish feed business in FY2024 and H1 FY2025. The underutilisation of capacities and relatively high fixed costs impacted margins in FY2024 and H1 FY2025. As a result, the company continued to report operating losses for the aforementioned periods, resulting in stretched debt metrics. The performance is expected to remain weak for full year FY2025.

Vulnerable to movement in raw material prices and exposed to inherent risks of disease outbreaks and inherent cyclicality – Akin to other poultry and aqua players, CPFIPL is susceptible to risks arising from potential outbreak of Avian influenza (bird flu). Shrimp farms are also vulnerable to disease outbreaks, and this can impact the demand for shrimp feed for specific time periods. Further, CPFIPL's operating margins also remain vulnerable to the inherent cyclicality in the poultry industry, although increase in proportion of revenues from the relatively stable HoReCa[1]/QSR segment within poultry, could mitigate the risk to an extent going forward.

High geographic concentration of CPFIPL's business from South India – The company continues to derive over 80% of its total revenues from Andhra Pradesh, Karnataka, Telangana, and Tamil Nadu in H1 FY2025. Within this, a large part comes from Andhra Pradesh. This exposes the company to region-specific risks.

Liquidity position: Adequate

CPFIPL's liquidity position is adequate supported by an available buffer of ~Rs. 100 crore as against sanctioned working capital limits, as on November 30, 2024. Further, CPFIPL's parent remains committed to extend timely and adequate financial support to the company, as and when required. In addition, the company had an unencumbered cash and bank balances of ~Rs. 17.0 crore as on December 31, 2024. In relation to these sources of cash, CPFIPL has term loan repayment obligations of Rs. 39.9 crore in H2 FY2025, Rs. 30.7 crore in FY2026 and nil thereafter on its existing loans, apart from the minimal maintenance capex.

Rating sensitivities

Positive factors – ICRA could revise the outlook on the long-term rating to stable if the company demonstrates material and sustainable improvement in earnings and debt coverage metrics.

Negative factors – Negative pressure on ratings could emanate if the operating performance does not improve significantly, leading to an increase in debt levels or weakening of liquidity position. Further, weakening in the parent's credit profile or CPIPL's operational/financial linkages with the parent could exert negative pressure on the ratings.

---

[1] *Hotels, Restaurants and Catering establishments*

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Parent Company: CPF Investment Limited (which is a wholly owned subsidiary of CP Foods, Thailand). We expect CPFIPL's ultimate parent to extend timely and adequate financial support to CPFIPL, as and when required. There also exists a track record of the parent having extended financial support to CPFIPL in the past.
Consolidation/Standalone	The ratings are based on the consolidated financial profile of the company.

About the company

CPFIPL is engaged in sale of poultry and aqua products for domestic markets. The aqua division (wherein the company primarily sells shrimp feed, processed shrimp and shrimp seed) accounted for ~64% of sales, while the poultry division (wherein the company primarily sells broilers, broiler feed, processed chicken and has QSRs), constituted ~36% of the H1 FY2025 revenues. The company is a subsidiary of CPF Investment Limited (which in turn is a wholly owned subsidiary of CP Foods, Thailand). Apart from CPFIPL, the Group has interests in other companies in India—all involved in food and food processing. One of the companies manufactures aqua feed similar to CPFIPL, but for the Tamil Nadu market, where CPFIPL has only minimal presence. The other Indian entities, except the aqua feed company, are relatively smaller in scale compared to CPFIPL.

Key financial indicators (audited)

CPFIPL	FY2023	FY2024
Operating income	3,639.6	2,565.2
PAT	-147.4	-297.1
OPBDIT/OI	-1.6%	-5.2%
PAT/OI	-4.0%	-11.6%
Total outside liabilities/Tangible net worth (times)	1.0	0.4
Total debt/OPBDIT (times)	-18.9	-5.7
Interest coverage (times)	-0.6	-1.7

Amount in Rs crore; Source: Company, ICRA Research; Financial ratios in this document are ICRA adjusted figures and may not be directly comparable with numbers reported by the company in some instances; PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; total debt includes lease liabilities

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current rating (FY2025)			Chronology of rating history for the past 3 years			
		Type	Amount rated (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023		Date & rating in FY2022
				Feb 13, 2025	Dec 07, 2023	Mar 31, 2023	May 05, 2022	May 03, 2021
1	**Term Loans**	Long term	23.55	[ICRA]BB+ (Negative)	[ICRA]BBB- (Stable)	[ICRA]BB+ (Stable)	[ICRA]BBB- (Negative)	[ICRA]BBB- (Stable)
2	**Fund based**	Short term	835.00	[ICRA]A4+	[ICRA]A3	[ICRA]A4+	[ICRA]A3	[ICRA]A3
3	**Unallocated**	Long term	2.68	[ICRA]BB+ (Negative)	[ICRA]BBB- (Stable)	[ICRA]BB+ (Stable)	[ICRA]BBB- (Negative)	

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long Term – Term Loans	Simple
Short Term – Fund based	Simple
Long Term – Unallocated	NA

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	**Term loans**	FY2016	10.55%	FY2026	23.55	[ICRA]BB+(Negative)
NA	**WCDL/STL**	NA	NA	NA	835.00	[ICRA]A4+
NA	**Unallocated**	NA	NA	NA	2.68	[ICRA]BB+(Negative)

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	Ownership	Consolidation Approach
Lotus Aquaculture Lanka (Private) Limited	75.0%	Full Consolidation
Andhra Pradesh Broodstock Multiplication Centre Private Limited	75.0%	Equity Method
C.P. Norfolk (India) Private Limited	40.0%	Equity Method

Source: Company

ANALYST CONTACTS

Shamsher Dewan
+91 124 4545 328
shamsherd@icraindia.com

K. Srikumar
+91 44 4596 4318
ksrikumar@icraindia.com

Vinutaa S
+91 44 4596 4305
vinutaa.s@icraindia.com

Nilesh Kumar Jain
+91 44 4596 4312
nilesh.jain2@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited

Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches