March 19, 2025

Premium Chick Feeds Pvt. Ltd.: Ratings reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term/ Short-term – Fund-based Limits	370.00	400.00	[ICRA]BBB (Stable)/[ICRA]A3+; reaffirmed & assigned for enhanced amount
Long-term – Term loan	27.26	43.56	[ICRA]BBB (Stable); reaffirmed & assigned for enhanced amount
Long-term/Short-term – Unallocated limits	-	6.44	[ICRA]BBB (Stable)/[ICRA]A3+; assigned
Total	**397.26**	**450.00**	

**Instrument details are provided in Annexure I*

Rationale

The ratings reaffirmation factors in Premium Chick Feeds Pvt. Ltd.'s (PCFPL) established market position with healthy market share in the poultry industry, its sizeable scale of operations, diversified geographic presence and partly integrated operations across the broiler industry value chain. The ratings also take into consideration the extensive experience of PCFPL's promoters of more than three decades in this business. The company runs poultry operations, including breeder farms, hatcheries, nutraceutical plants and contract farming, enabling it to streamline its operations in line with industry trends. The company has commissioned a chicken processing plant in Maharashtra in FY2024, which is expected to support growth and margins over the medium term. Additionally, the company is setting up a feed mill in Hyderabad, as a part of its backward integration strategy, which is likely to improve the cost structure after its commissioning and stabilisation in Q1 FY2026.

The ratings are, however, constrained by the exposure of PCFPL's financial performance to the inherent cyclicality in the poultry industry, wherein disease outbreaks, climatic conditions or cost inflation can adversely impact revenues and margins. Moreover, PCFPL's revenues are concentrated on the live bird segment vis-à-vis its peers, a segment where margins have remained low and volatile due to the commoditised nature of the product. However, the company's large scale and partly integrated operations mitigate this risk to an extent. PCFPL's profit margins are vulnerable to adverse movements in its broiler realisations vis-à-vis prices of key raw materials (soya bean and maize), as demonstrated by volatility in operating margins in recent years. The company's OPM improved YoY by more than 80 bps to 2.12% in FY2024 driven by the softening in the raw material prices, despite a marginal decline in the broiler realisations. However, the OPM in FY2025 is likely to be impacted by the losses expected in Q4 FY2025 on account of decline in broiler realisations since February 2025 due to a bird flu outbreak. Nevertheless, the broiler prices have recently started increasing gradually and are expected to further pick up, going forward, owing to limited supply in the market due to reduction in placements by the integrators on the back of bird flu scare. The ratings also factor in the leveraged capital structure and moderate debt protection metrics owing to volatility in earnings profile and reliance on debt, given the working capital-intensive nature of operations and capex undertaken in recent years.

The Stable outlook on the long-term rating reflects ICRA's expectations that the company will generate steady accruals in the near to medium term aided by steady volumetric growth, supporting its financial and liquidity profiles.

Key rating drivers and their description

Credit strengths

Established operational track record of company and extensive experience of its promoters in the poultry businesses – PCFPL was promoted by Mr. Girish Kolwankar, Mr. Shyam Dhawan and Mr. Neil Dalgado, first-generation entrepreneurs, in 1991. The company has a strong brand name aided by a track record of about three decades.

Integrated presence across value chain – PCFPL enjoys established relationships with a large number of contract farmers across the country, with access to latest technology in poultry breeding as well as in-house feed production capabilities and nutraceutical facility. The company has commissioned a chicken processing plant in Maharashtra in FY2024, which is expected to support growth and margins over the medium term. Additionally, the company is setting up a feed mill in Hyderabad, as a part of its backward integration strategy, which is likely to improve the cost structure after its commissioning and stabilisation in Q1 FY2026.

Large scale of operations leads to scale benefits – The company is one of the largest domestic poultry integrators in this line of business with healthy market share in broiler sales. PCFPL has a large scale of operations (Rs. 6,294.3 crore in FY2024 and Rs. 5065.9 crore in 9M FY2025) across 12 states in the country. Its diversified and sizeable scale of operations mitigates the inherent risk of the poultry industry to an extent.

Credit challenges

Leveraged capital structure and moderate coverage metrics – PCFPL's leverage indicators have remained high on the back of the working capital-intensive nature of operations, mainly funded through external borrowings and creditors. The gearing (TD/TNW) and TOL/TNW stood at 1.6 times and 4.1 times, respectively, as on March 31, 2024. However, these metrics are expected to gradually improve, going forward, supported by steady internal accrual generation and increase in the company's net worth position.

Profit margins vulnerable to price volatility and inherent cyclicality of poultry industry – PCFPL's revenues are concentrated on the live bird segment vis-à-vis its peers, a segment where margins have remained low and volatile due to the commoditised nature of the product. Moreover, the margins in this segment could be impacted by any unfavourable climatic conditions or volatile raw material costs. Further, the poultry industry is fragmented with intense competition resulting in pressure on pricing and margins.

Profitability exposed to inherent volatility in poultry business – In line with the nature of the industry, PCFPL's profitability remains exposed to the volatility in the poultry business, especially in case of any disease outbreak as well as the inherent seasonality in the industry. Broiler realisations vary considerably across geographies and are impacted by the seasonality as well as local supply dynamics. Volatility in broiler realisations has a significant bearing on the profitability of all integrators. The company's OPM improved YoY by more than 80 bps to 2.12% in FY2024 driven by the softening in the raw material prices, despite a marginal decline in the broiler realisations. However, the OPM in FY2025 is likely to be impacted by the losses expected in Q4 FY2025 on account of decline in broiler realisations since February 2025 due to bird flu outbreak. Nevertheless, the broiler prices have recently started increasing gradually and are expected to further pick up, going forward, owing to limited supply in the market due to reduction in placements by the integrators on the back of bird flu scare.

Liquidity position: Adequate

The company's liquidity is adequate, supported by generation of sufficient cash accruals, free cash balances of ~Rs. 30 crore as on March 31, 2024 and undrawn working capital limits of more than Rs. 100 crore as on December 31, 2024. PCFPL is estimated to generate fund flow from operations of ~Rs. 45 crore in FY2025, against repayment obligations of ~Rs. 19 crore and capex plans of ~Rs. 30 crore. Also, major portion of the proposed capex will be funded by term loans and the balance through accrual generation. Given the continued volatility in broiler prices, there can be volatility in the company's earnings, as witnessed in the past. However, its liquidity profile will continue to be supported by steady accrual generation, available surplus and undrawn bank lines.

Rating sensitivities

Positive factors – The ratings could be upgraded, if the company demonstrates healthy revenue growth and a stable earnings profile, leading to improvement in capital structure and debt protection metrics, and strengthening of its liquidity profile. Specific credit metrics that could lead to an upgrade include TOL/TNW less than 1.8 times on a sustained basis.

Negative factors – Pressure on PCFPL's ratings could arise, if there is considerable decline in the company's accrual generation and/or stretch in the working capital cycle, or sizeable debt-funded capex, resulting in deterioration of its liquidity position and coverage metrics. Specific credit metric that could lead to a rating downgrade includes DSCR below 1.6 times on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

About the company

PCFPL was incorporated in 1991 as a poultry feed player. In 2001, the company commenced broiler farming operations in addition to its poultry feed business. The company is present in West Bengal, Assam, Andhra Pradesh, Odisha, Karnataka, Uttar Pradesh, Telangana, Tamil Nadu, and Maharashtra. PCFPL is led by Mr. Girish Kolwankar, Mr. Shyam Dhawan and Mr. Neil Delgado.

Key financial indicators (audited)

PCFPL - Standalone	FY2023	FY2024	9M FY2025
Operating income	5852.9	6294.3	5065.9
PAT	43.8	54.6	91.2
OPBDIT/OI	1.3%	2.1%	-
PAT/OI	0.7%	0.9%	1.8%
Total outside liabilities/Tangible net worth (times)	4.4	4.1	-
Total debt/OPBDIT (times)	5.0	3.1	-
Interest coverage (times)	2.1	3.2	-

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amounts in Rs. crore 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

	Current (FY2025)			Chronology of rating history for the past 3 years					
	FY2025			FY2024		FY2023		FY2022	
Instrument	Type	Amount Rated (Rs Crore)	March 19, 2025	Date	Rating	Date	Rating	Date	Rating
Fund-based limits	Long-term/ Short-term	400.00	[ICRA]BBB (Stable) [ICRA]A3+	January 5, 2024	[ICRA]BBB (Stable) [ICRA]A3+	Feb 14, 2023	[ICRA]BBB (Stable) [ICRA]A3+	-	-
Term loan	Long-term	43.56	[ICRA]BBB (Stable)	January 5, 2024	[ICRA]BBB (Stable)	Feb 14, 2023	[ICRA]BBB (Stable)	-	-
Unallocated limits	Long-term/ Short-term	6.44	[ICRA]BBB (Stable) [ICRA]A3+	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term/short-term – Fund-based limits	Simple
Long-term - Term loan	Simple
Long-term/short-term – Unallocated limits	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	**Fund Based Limits**	NA	NA	NA	400.00	[ICRA]BBB (Stable)/[ICRA]A3+
NA	**Term Loan**	FY2021	9.5%-10.9%	FY2030	43.56	[ICRA]BBB (Stable)
NA	**Unallocated Limits**	NA	NA	NA	6.44	[ICRA]BBB (Stable)/[ICRA]A3+

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

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

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