February 26, 2024

Siddhivinayak Poultry Breeding Farm & Hatcheries Pvt. Ltd.: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based – Term loan	14.25	15.00	[ICRA]BB (Stable); reaffirmed
Long-term – Fund-based – Cash Credit	14.00	20.00	[ICRA]BB (Stable); reaffirmed
Long-term – Unallocated Limits	6.75	-	-
Total	**35.00**	**35.00**	

**Instrument details are provided in Annexure-I*

Rationale

The reaffirmation of rating of Siddhivinayak Poultry Breeding Farm & Hatcheries Pvt. Ltd. (SPBF) factors in the company's established operational track record and extensive experience of its promoters spanning over almost three decades in the poultry sector. Leveraging on the same, the company reported healthy revenue growth of ~20% to Rs.438 crore in FY2023 and has further sustained the momentum with revenue of ~Rs.578 crore in 10M FY2024. However, while growing sale volumes have supported growth, broiler prices have remained fairly volatile, constraining the company's profit margins (operating margins of 1.7-2.0%), even though raw material prices have been relatively more stable in the current fiscal as against FY2023.

The rating, however, remains constrained by SBPF's moderate scale of operations in a highly fragmented and competitive poultry industry, which limits its bargaining power as well as pricing flexibility. Further, its profitability remains exposed to the inherent volatility in the poultry business along with volatility in prices of key raw materials, maize and soya meal, which are driven by agro-climatic conditions and global demand–supply. Further, in line with the nature of the poultry industry the company's profitability also remains exposed to the risk of disease outbreaks.

The Stable outlook on the rating reflects ICRA's expectations that despite the volatility in broiler prices, SPBF's credit profile will continue to remain supported by its growing scale of operations, semi-integrated operations and established operational track record in the industry.

Key rating drivers and their description

Credit strengths

Extensive experience of promoters in the poultry sector— While the company was incorporated in 2010, its promoters have a long-standing experience of around 30 years in the poultry business. The extensive experience of its promoters helps the company in stablishing business relations with new customers, resulting in sales growth and revenue visibility.

Healthy revenue growth in recent years—The company has posted steady revenue growth since FY2018. The topline grew to ~ Rs.438 crore in FY2023 from ~Rs.181 crore in FY2018. In FY2023, its topline grew by 20.7%, primarily supported by higher volumes. The growth momentum continued in FY2024 as well with the company posting revenues of Rs.578 crore in 10M FY2024 of the current fiscal. While volume growth remained strong, lot of volatility is seen in broiler prices that has restricted the margins and in turn the accrual generation of the company.

Credit challenges

Moderate scale of operations – Despite posting consistent revenue growth in past years, SPBF's scale of operations continues to remain relatively moderate in the highly competitive poultry sector, resulting in limited economies of scale. As per provisional figures, the company posted revenues of Rs.578 crore in approximately 10M of the current fiscal.

Thin profit margins owing to exposure to volatility in raw material and poultry prices— The raw material cost, soya and maize, is a major expense head of the company, accounting for around 85–90% of its total cost. Prices of these commodities are largely driven by agro-climatic conditions, international prices (which determine domestic supply), Government regulations and demand from the poultry sector. The raw material prices have largely remained stable during FY2023 and FY2024. Nonetheless, high volatility was seen in the broiler prices that impacted the company's profitability.

High competitive intensity limits pricing flexibility; operations also exposed to cyclicality associated with poultry sector and industry risk of disease outbreak— SPBF operates in the highly fragmented poultry industry, which is characterised by many small and medium-sized players. The numerous players fuel competition and limit their ability to command premium on their product offerings, thereby exerting pressure on margins to an extent. Further, in line with the nature of the poultry industry the company's profitability is also exposed to volatility in the poultry business, especially in case of any disease outbreak like avian influenza (bird flu) as well as inherent seasonality in the industry.

Liquidity position: Stretched

The liquidity position of SPBF continues to be stretched on account of low internal accrual generation and modest level of free cash balances. This has continued to result in high utilisation (averaged at 95% for the 12-month period ended December 2023) of the working capital limits availed from the bank. The company has long-term debt repayment obligations of Rs. 4.8 crore and Rs. 4.7 crore in FY2024 and FY2025, respectively. However, internal accrual generation is expected to be sufficient to meet the debt repayment obligations.

Rating sensitivities

Positive factors – ICRA could upgrade SPBF's rating if the company demonstrates a sustained improvement in its scale of operations and profit margins along with an improvement in its liquidity position.

Negative factors – The rating may be downgraded if there is any significant decline in revenues or profitability or if the company undertakes any higher-than-anticipated debt-funded capex. The rating may be downgraded if the interest coverage ratio is less than 2.5 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

Incorporated in 2010, SPBF is engaged in breeding and sales of broiler birds, which formed around 94% of the total sales in FY2023. The company also sells other poultry products, such as chicks, culls, eggs and feed, among others. SPBF's presence is restricted to Maharashtra with most of its sales generated by the Mumbai, Pune and Nashik districts. Apart from the eggs from its breeding farms, the company also buys eggs locally in order to meet the growing demand. Its monthly chick placement has increased to ~ 27.0 lakh in December 2023. The registered office of SPBF along with its breeder farm and hatchery are in Pune.

Key financial indicators (audited)

SPBF - Standalone	FY2022	FY2023
Operating income	362.9	438.1
PAT	2.3	1.3
OPBDIT/OI	2.0%	1.9%
PAT/OI	0.6%	0.3%
Total outside liabilities/Tangible net worth (times)	4.8	5.4
Total debt/OPBDIT (times)	4.2	4.0
Interest coverage (times)	4.2	3.5

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation;

Status of non-cooperation with previous CRA: Status of non-cooperation with previous CRA: CRISIL Limited, vide its press release dated January 17, 2024, has mentioned that it has been consistently following up with Siddhivinayak Poultry Breeding Farm & Hatcheries Pvt. Ltd. for obtaining information through letters and emails dated December 13, 2023, among others, apart from telephonic communication. However, the issuer has remained noncooperative. Based on the best available information, the ratings of the bank facilities of SPBF is CRISIL B/Stable/ISSUER NOT COOPERATING.

Any other information: None

Rating history for past three years

	Instrument	Current rating (FY2024)				Chronology of rating history for the past 3 years		
		Type	Amount rated (Rs. crore)	Amount outstanding as of Dec 31, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
					Feb 26, 2024	Nov 07, 2022	Oct 07, 2021	Jan 01, 2021
1	Term loans	Long term	15.0	15.0	**[ICRA]BB (Stable)**	[ICRA]BB (Stable)	[ICRA]BB (Stable)	[ICRA]BB (Stable)
2	Fund-based bank facilities	Long term	20.0	--	**[ICRA]BB (Stable)**	[ICRA]BB (Stable)	[ICRA]BB (Stable)	[ICRA]BB (Stable)
3	Unallocated	Long term	-		-	[ICRA]BB (Stable)	[ICRA]BB (Stable)	[ICRA]BB (Stable)

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund-based – Term Loan	Simple
Long-term fund-based – Cash Credit	Simple

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 Loan**	FY2019	7.65%-9.40%	FY2029	15.00	[ICRA]BB (Stable)
NA	**Cash Credit**	NA	NA	NA	20.00	[ICRA]BB (Stable)

Source: Company

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

ANALYST CONTACTS

Shamsher Dewan
+91 124 4545328
shamsherd@icraindia.com

Kinjal Shah
+91 22 6114 3442
kinjal.shah@icraindia.com

Deepak Jotwani
+91 124 4545 870
deepak.jotwani@icraindia.com

Rashmi Gole
+91 20 6606 9917
rashmi.gole@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

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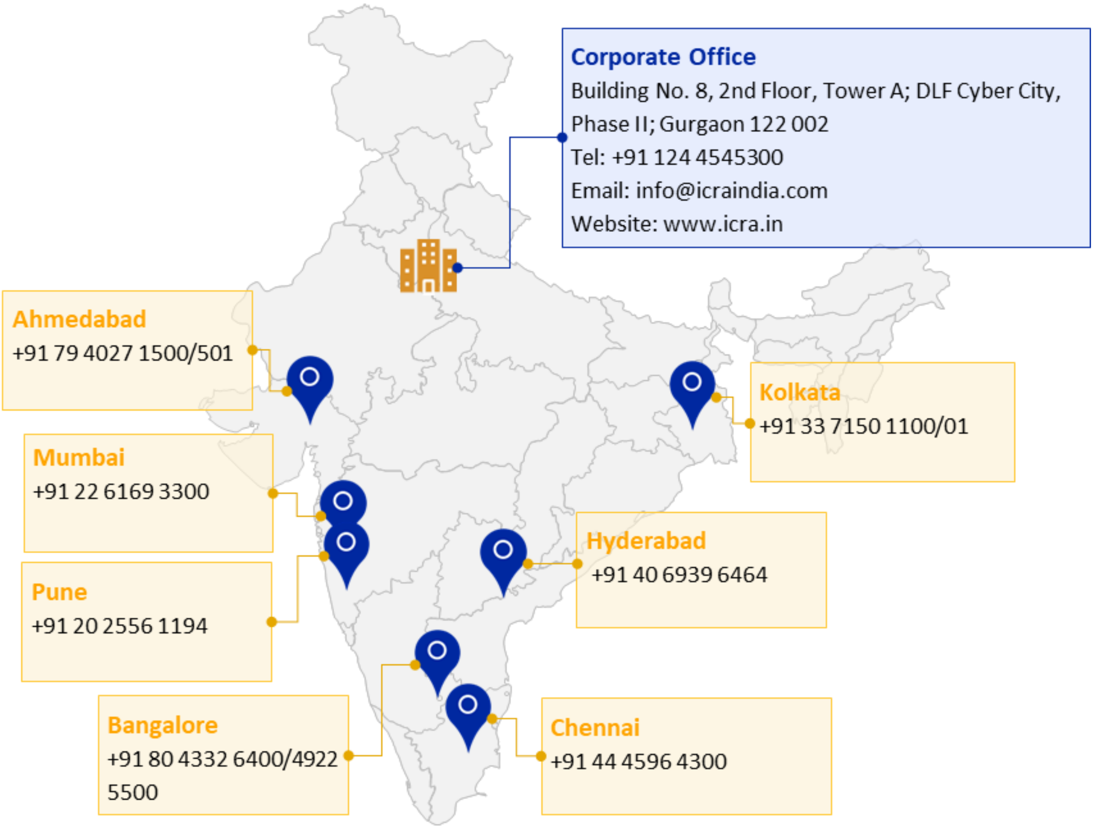
For more information, visit www.icra.in

ICRA Limited

Registered Office

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

Branches



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