



Venky's (India) Limited

Instrument	Amount Rated	Rating Action
Term Loan	Enhanced from Rs. 209.55 crore to Rs. 318.30 crore	Revised to [ICRA]BBB+/Stable from [ICRA]A-/Stable
Cash Credit	Reduced from Rs. 215.00 crore to Rs. 35.50 crore	Revised to [ICRA]BBB+/Stable from [ICRA]A-/Stable
Fund-based	Enhanced from Rs. 112.50 crore to Rs. 394.50 crore	Revised to [ICRA]A2 from [ICRA]A1
Non Fund Based	Rs. 12.50 crore	Revised to [ICRA]A2 from [ICRA]A1

ICRA has revised the rating assigned to the Rs. 318.30 crore* (enhanced from Rs. 209.55 crore) term loan and Rs. 35.50 crore (reduced from Rs. 215.00 crore) cash credit facilities of Venky's India Limited (VIL, 'the company') to [ICRA]BBB+ (pronounced ICRA triple B plus) from [ICRA]A- (pronounced ICRA A minus) with stable outlook†. ICRA has also revised the rating assigned to the Rs. 394.50 crore (enhanced from Rs. 112.50 crore) short term fund based facilities and Rs. 12.50 crore non fund based facilities of VIL to [ICRA]A2 (pronounced as ICRA A two) from [ICRA]A1 (pronounced ICRA A one)†.

The rating revision reflects moderation in financial profile characterized by gearing increasing to 2.1x as on Mar'15 and interest coverage deteriorating to 1.4x for FY15 on back of sizeable debt addition over last few fiscals to meet capex requirements as well as to provide for indirect support provided to parent company VHPL (Venkateshwara Hatcheries Private Limited, rated [ICRA] BBB/Stable/A3+). Further the profitability also declined to 10% in FY15 on back of muted revenue growth as chick placements were reduced intentionally to support realizations while margin improvement was below expectations though company has reported strong revenue and margin growth in Q1 FY16 supported by favourable broiler realizations in Jun'15 and new solvent plant of 500 TPD at Nanded becoming operational in Mar'15. The operating environment for poultry industry is expected to improve going forward on back of co-ordinated efforts of industry players to regulate supply in market to ensure remunerative realizations. The margins, though, remain susceptible to highly volatile broiler realizations and feed prices combined with seasonal nature of demand for the poultry products in India. The company is exposed to inherent industry risk of disease outbreak (bird flu) though wide geographic presence provides some cushion against regional outbreaks.

ICRA take note of sizeable funds (~Rs. 165 crore as on Mar'15) committed as margin for bank facilities of VHPL along with ~Rs. 100 crore given as advance to VHPL for purchasing land parcel. This financial support to VHPL along-with extended credit terms given to VHPL has strained financial flexibility of VIL as well. Any sizeable incremental support to group companies can adversely affect the liquidity profile of the company though healthy refinancing ability provides some cushion.

The ratings continue to derive comfort from strong position enjoyed by the VH group in domestic poultry business on back of fully integrated operations starting from 'Pureline breeding' to contract broiler farming and from animal healthcare products to captive feed mills. . VH group has widest geographic presence in the domestic industry and established relations with poultry farmers along with strong presence in value added segments like animal healthcare products and processed chicken. The group has strong R&D capabilities and its broiler and layer breed command dominant market share in commercial poultry farming in the country on back of proven operating parameters of the breed. The company has presence in value added segments like animal healthcare products, SPF eggs and processed chicken providing stable revenue stream and better margins. The company has scaled up its soybean solvent business over the years which provide backward integration to feed mills along with additional revenue stream. The company setup additional solvent and refining unit at Nanded in Q4FY15 which will provide strong revenue growth in current fiscal. ICRA also takes note of healthy

* 100 lakh = 1 crore = 10 million

† For complete rating definition, please refer to ICRA website www.icra.in or any of the ICRA Rating Publications.



long term demand prospects for the domestic poultry industry on back of favourable socio-economic factors. The profitability of industry, though, has suffered due to non remunerative broiler realizations due to over-supply and seasonal variations while poultry feed prices remaining high. The poultry industry benefitted from supply control measures adopted and increased chick mortality rates in Q1FY16 and same supported the realizations, especially during June 2015, resulting in healthy profits for the company though continued effectiveness of supply control measures remain to be seen.

Company Profile

VIL is a part of the VH group which is the largest and most integrated poultry player in India with strong presence in poultry broiler as well as layer segment along with sizeable presence in value added segments like animal healthcare products and processed chicken. The VH group was promoted by late Dr. B.V. Rao and started its operations in 1971 as a sole franchisee in India of Babcock Farm Inc., USA. The group's operations span the entire spectrum of poultry activities from pure-line breeding, grandparent and parent breeding and sale of commercial day-old chicks (DOCs) to contract commercial farming.

The company derives 60% of its business from poultry and poultry products with rest coming from animal healthcare products (AHP) and oil seed division. Within poultry division, company sells broiler/layer DOC, commercial grown up birds, processed chicken and SPF (specific pathogen free) eggs. VIL is one of the largest manufacturers of SPF eggs in Asia and these eggs are used for manufacturing poultry and human vaccines.

September 2015

For further details, please contact:

Analyst Contacts:

Mr. Subrata Ray (Tel. No. +91 22 6114 3408)
subrata@icraindia.com

Relationship Contacts:

Mr. L. Shivakumar, (Tel. No. +91 22 6114 3406)
shivakumar@icraindia.com

© Copyright, 2015, ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.

**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001
Tel: +91-11-23357940-50, Fax: +91-11-23357014

Corporate Office**Mr. Vivek Mathur**Mobile: **9871221122**Email: vivek@icraindia.com

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

Mumbai**Mr. L. Shivakumar**Mobile: **9821086490**Email: shivakumar@icraindia.com

1802, 18th Floor, Tower 3,
Indiabulls Finance Centre,
Senapati Bapat Marg,
Elphinstone, Mumbai 400013,
Board : +91-22-61796300; Fax: +91-22-24331390

Kolkata**Mr. Jayanta Roy**Mobile: **+91 9903394664**Email: jayanta@icraindia.com

A-10 & 11, 3rd Floor, FMC Fortuna
234/3A, A.J.C. Bose Road
Kolkata—700020
Tel +91-33-22876617/8839 22800008/22831411,
Fax +91-33-22870728

Chennai**Mr. Jayanta Chatterjee**Mobile: **9845022459**Email: jayantac@icraindia.com

5th Floor, Karumuttu Centre
634 Anna Salai, Nandanam
Chennai—600035
Tel: +91-44-45964300; Fax: +91-44 24343663

Bangalore**Bangalore****Mr. Jayanta Chatterjee**Mobile: **9845022459**Email: jayantac@icraindia.com

'The Millenia'
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,
Murphy Road, Bangalore 560 008
Tel: +91-80-43326400; Fax: +91-80-43326409

Ahmedabad**Mr. L. Shivakumar**Mobile: **989986490**Email: shivakumar@icraindia.com

907 & 908 Sakar -II, Ellisbridge,
Ahmedabad- 380006
Tel: +91-79-26585049, 26585494, 26584924; Fax: +91-
79-25569231

Pune**Mr. L. Shivakumar**Mobile: **989986490**Email: shivakumar@icraindia.com

5A, 5th Floor, Symphony, S.No. 99, CTS 3909, Range Hills
Road, Shivajinagar, Pune-411 020
Tel: + 91-20-25561194-25560196; Fax: +91-20-25561231

Hyderabad**Mr. Jayanta Chatterjee**Mobile: **9845022459**Email: jayantac@icraindia.com

4th Floor, Shobhan, 6-3-927/A&B, Somajiguda, Raj
Bhavan Road, Hyderabad—500083
Tel:- +91-40-40676500