

Venky's India Limited^(Revised)

January 05, 2024

Facilities	Amount (₹ crore)	Rating ¹	Rating Action
Long-term / Short-term bank facilities	257.00	CARE A+; Stable / CARE A1+	Reaffirmed
Short-term bank facilities	32.50	CARE A1+	Reaffirmed
Long-term bank facilities	-	-	Withdrawn

Details of facilities in Annexure-1

Rationale and key rating drivers

The reaffirmation of the ratings assigned to the bank facilities of Venky's India Limited (VIL) continues to derive strength from the experienced promoters, the established presence, and the brand name of the Venkateshwara Hatcheries Group (VH Group) across the value chain in the poultry industry including the large share of pure line breed in the domestic market and the wide geographical presence. The ratings continue to take support from the growing scale of operations, the strong liquidity position of the company, the healthy capital structure, and the comfortable debt coverage indicators.

The above strengths are, however, moderated by the susceptibility of the margins to movement in the feed prices along with the limited control on poultry prices due to the fragmented nature of the industry, the cyclical nature in the poultry industry, and the risk associated with outbreaks of bird flu and other diseases, which are likely to have a negative impact on the volume and profitability. The ratings also factor in moderations in the profitability in FY23 (FY refers to the period from April 1 to March 31) which recovered to an extent in H1FY24 on the back of softening of input prices.

Rating sensitivities: Factors likely to lead to rating actions.

Positive factors:

- Increase in income from operations above ₹5,000 crore on a sustained basis.
- Sustained improvement in profitability resulting in healthy accretion to reserves and decline in overall gearing to 0.10 or below.

Negative factors:

- Significant decline in revenue and profitability, leading to lower-than-expected cash accrual below ₹50 crore on a sustained basis.
- Delayed realisation of debtors of group companies putting pressure on liquidity position of the company.
- Any un-envisaged increase in debt profile resulting in deterioration of overall gearing to 0.70x or above.

Analytical approach: Standalone

Although the standalone performance of the company is analysed, CARE Ratings Limited (CARE Ratings) has factored in the operational and managerial linkages of the company with the VH Group.

Outlook: Stable

The "stable" outlook reflects CARE ratings Limited's (CARE Ratings) expectation that the entity is likely to sustain its comfortable financial risk profile with negligible debt and strong cash balances and continue to sustain its operational performance with integrated nature of operations and diversified product segments.

Detailed description of the key rating drivers:

Key strengths

Part of VH group which is largest fully integrated poultry player in India.

The VH Group's operations are fully integrated, covering the entire spectrum of poultry activities. The operations of the group are vertically and horizontally integrated, ranging from pure line farms (PLF) rearing of parent chicks, broiler breeding, hatcheries, layer birds for table and value-added eggs, processing of chicken, retail stores, feed mills, vaccines, Animal Health Products (AHP), solvent extraction, etc. It has a pan-India presence, with a presence in more than 20 states. It has grown significantly from its first poultry business in 1971 as a small farm in Hyderabad to becoming one of the largest integrated poultry players in India. The group has a team of experienced scientists who carry out research and development (R&D) and around 350 veterinarian doctors.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Strong market position of the group with an established brand name and marketing network

The group has a strong brand name of 'Venky's' in the field of poultry products and has around 14 express outlets for processed chicken under VIL located in various Tier-I and Tier-II cities. The group has developed a pan-India presence over the years, with VIL primarily concentrating on the Northern region and its flagship company – Venkateshwara Hatcheries Private Limited (VHPL) – being concentrated in the Southern region of India. VIL is one of the largest producers of SPF eggs in Asia. Furthermore, the parent breeds developed by Venco Research and Breeding Farm Private Limited (Venco) and Venkateshwara Research and Breeding Farm Private Limited (VRB) (group companies) are the largest-selling breed in India, as these are suited to Indian agro-climatic and market conditions. Further, the breeds have a favourable Feed Conversion Ratio (FCR), which is a crucial factor for profitability. Feed preparation in Uttara foods & Feeds Private Limited and export is housed under Uttara Impex Private Limited

Significant experience of the promoters in the poultry business

VIL is promoted and currently managed by second generation led by Anuradha Desai, Chairperson. She has an extensive experience of more than four decades within the company and has been chairperson of the National Egg Co-ordination Committee (NECC). She is supported by a well-qualified and experienced management team. Being in the industry for so long has helped the promoter/promoter's family in gaining adequate acumen about the industry.

Stable scale of operations albeit decline in profitability margin and cash accrual levels.

During FY23, the scale of operations remained in line with FY22 and stood at around ₹4,200 crore. Due to the high prices of raw material the PBILDT margin for FY23 stood at around 2.64% as against 5.61% in FY22. The raw material prices increased significantly and being in the commodity nature of business along with intense competition, the company is not able to pass on the entire increase in input cost to customers resulting in moderation in profitability. With lower PBILDT and stable fixed capital charges, the profit after tax (PAT) margin also declined to 1.66% in FY23 from 3.74% in FY22. On the back of softening of its key input prices the profitability is likely to improve in FY24. Furthermore, VIL has reported a total operating income (TOI) of ₹1,907.65 crore during H1FY24 as against ₹2,171.03 crore with improvement in profitability marked by PBILDT margins of 5.03% in H1FY24 as against 3.03% in H1FY23 on the back of softening of input prices.

Comfortable capital structure and debt protection metrics

In the absence of any new debt and improvement in tangible net worth supported by accretion of profits to reserves, the capital structure of the company remained comfortable with overall gearing of 0.15x as on March 31, 2023, as against of 0.16x as on March 31, 2022. Since the company has no debt-funded capex plans in the near future and the working capital utilisation is also expected to remain at about 65-70% the capital structure of the company is expected to remain at comfortable level. Furthermore, the debt protection metrics also continues to be comfortable with interest coverage of 6.05x for FY23 (P.Y. 14.04) and total debt/GCA of 1.78x as at the end of FY23 (P.Y. 0.97x). The company has closed term Loan of SPF division Patan Project and thus VIL has term debt free as on September 30th, 2023.

Key weaknesses**Vulnerability of profits to raw material price movements**

The raw material costs account for about 75% of the overall cost and on account of limited control over the selling prices of broiler birds, the company's profitability is vulnerable to the volatility in raw material (key ingredients – maize and soybean) prices. Maize is the primary source of energy and constitutes about 65% of the feed, whereas soybean is the primary source of protein and forms about 30% of the feed. As the poultry industry is mainly a buyers' market, any sharp increase in the prices of raw materials may not be fully passed on to the consumers, making company's profitability vulnerable to volatility in raw material prices. The impact of same on profitability was seen in past including in FY23.

Inherent risks associated with the poultry business such as disease outbreaks

There have been instances of disease outbreaks in poultry products in India impacting the poultry market, thereby reducing the demand suddenly and ending in inventory losses. That said, VIL has developed its farms at different locations with distances of approximately 5-10 km between any two farms to reduce the chances of the spread of any contagious diseases. Also, a large part of the company's broiler processing capacity is under contract farming, which is spread across the country, thereby reducing the impact of any major disease outbreak. Besides, the VH Group has its in-house poultry vaccine plant, poultry pharmaceutical, and poultry bio-security products manufacturing units, as well as a nationwide network of poultry disease diagnostic laboratories as measures to minimise the risks arising out of poultry disease outbreaks. Irregular outbreaks like the Coronavirus and bird flu have affected the poultry industry. Nonetheless, the vulnerability of such flu outbreaks still exists and may impact the fortunes of the companies present in the poultry sector.

Liquidity: Strong

The company has strong liquidity position marked by free cash balance of ₹33.55 crore and current Investment in mutual fund ₹90.33 crore as on March 31, 2023. Furthermore, GCA is projected to be in the range of ₹90-100 crore as against no term debt repayment obligation. Also, the fund-based working capital limits of the company have remained moderately utilised nearly to

65-70%. Its unutilised bank lines (approximately ₹80 crore) are more than adequate to meet its incremental working capital needs over the next one year. The company has no plans to avail any additional debt in projected years.

The working capital of the company is largely funded by cash credit facilities, overdraft and short-term loans from bank and the internal accruals. It operates in a working capital-intensive industry. The working capital cycle remains stable at 53 days in FY23.

Environment, social, and governance (ESG) risks

Parameters	Risk Factors
Environmental	The company has obtained certification for its food processing unit from FSSC 22000 (Food Safety System Certification 22000; Version 5.1); ISO 22000: 2018 (Food safety management systems) and HACCP Management System. It follows practices to ensure safety and optimal resource use throughout the life cycle of the product. The company has also implemented waste recycling for biodegradable waste generated in live bird operations.
Social	The company has CSR policy in place and has been conducting CSR activities related to educational and medical services for the upliftment of the society, promotion of sports, rural development projects etc. Directly procured agricultural produce like soya from local farmers, eliminating intermediaries.
Governance	Being a listed company, VIL complies with the regulatory requirement for disclosures. Company has all the required committees in place such as corporate social responsibility, Internal Complaints Committees which are constituted in terms of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013, whistle blower etc. Its board of director comprises of ten directors which include five independent directors which includes three women directors.

Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Manufacturing Companies](#)

[Policy on Withdrawal of Ratings](#)

[Factoring Linkages Parent Sub JV Group](#)

About the company and industry

Industry classification

Macro-Economic Indicator	Sector	Industry	Basic Industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Food Products	Meat Products including Poultry

Incorporated in 1976, VIL (CIN: L01222PN1976PLC017422) is part of the Pune-based VH Group. The company is engaged in the integrated poultry business and mainly deals in the broiler bird segment and the solvent extraction and vegetable oil refinery segments with activities primarily concentrated in the north and north-eastern part of India. The VH Group was established and promoted by the late Padma Shree, Dr BV Rao, and is the largest integrated poultry player in India covering the entire spectrum of the poultry segment – from pure line breeding to processed chicken. Over the years, the group has created a strong brand of 'Venky's' and has a pan-India presence in both, the organized and unorganized poultry segments. VHPL is the flagship company of the group, which holds a 51.02% stake in VIL.

VIL-Standalone

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	H1FY24 (UA)
Total operating income	4,400.90	4,233.68	1889.04
PBILDT	246.75	111.75	99.15
PAT	164.78	70.48	53.50
Overall gearing (times)	0.16	0.15	NA
Interest coverage (times)	14.04	6.05	10.76

A: Audited; UA: Unaudited NA: Not Available. Note: 'the above results are latest financial results available'

The financials are classified as per CARE Ratings' Standards.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated facility: Detailed explanation of covenants of the rated facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	Closed	0.00	Withdrawn
Fund-based - LT/ ST-CC/PC/Bill Discounting		-	-	-	197.00	CARE A+; Stable / CARE A1+
Fund-based/Non-fund-based-LT/ST		-	-	-	60.00	CARE A+; Stable / CARE A1+
Non-fund-based - ST-BG/LC		-	-	-	32.50	CARE A1+

Annexure-2: Rating history of last three years

Sr. No.	Name of the Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based - LT-Term Loan	LT	-	-	-	1)CARE A+; Stable (30-Nov-22) 2)CARE A+; Stable (17-Nov-22)	1)CARE A+; Stable (16-Nov-21)	1)CARE A; Stable (30-Dec-20)
2	Fund-based/Non-fund-based-LT/ST	LT/ST*	60.00	CARE A+; Stable / CARE A1+	-	1)CARE A+; Stable / CARE A1+ (30-Nov-22) 2)CARE A+; Stable / CARE A1+	1)CARE A+; Stable / CARE A1+ (16-Nov-21)	1)CARE A; Stable / CARE A1 (30-Dec-20)

Sr. No.	Name of the Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
						(17-Nov-22)		
3	Non-fund-based - ST-BG/LC	ST	32.50	CARE A1+	-	1)CARE A1+ (30-Nov-22) 2)CARE A1+ (17-Nov-22)	1)CARE A1+ (16-Nov-21)	1)CARE A1 (30-Dec-20)
4	Fund-based - LT/ ST-CC/PC/Bill Discounting	LT/ST*	197.00	CARE A+; Stable / CARE A1+	-	1)CARE A+; Stable / CARE A1+ (30-Nov-22) 2)CARE A+; Stable / CARE A1+ (17-Nov-22)	1)CARE A+; Stable / CARE A1+ (16-Nov-21)	1)CARE A; Stable / CARE A1 (30-Dec-20)
5	Fund-based - ST-Term loan	ST	-	-	-	-	1)Withdrawn (16-Nov-21)	1)CARE A1 (30-Dec-20)

Annexure-3: Detailed explanation of covenants of the rated facilities: Not Applicable

Annexure 4: Complexity level of various instruments rated.

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based - LT/ ST-CC/PC/Bill Discounting	Simple
3	Fund-based/non-fund-based-LT/ST	Simple
4	Non-fund-based - ST-BG/LC	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instrument: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

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About us:

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