

Venky's India Limited

January 09, 2025

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

Details of facilities in Annexure-1

Rationale and key rating drivers

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

However, rating strengths are moderated by margins susceptibility to movement in feed prices and limited control on poultry prices due to fragmented nature of the industry, inherent cyclical nature in the poultry industry, where disease outbreaks, climatic conditions are likely to have a negative impact on volume and profitability.

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.
- Un-envisaged increase in debt profile resulting in deterioration of overall gearing to 0.70x or above.

Analytical approach: Standalone

Although the company's standalone performance is analysed, CARE Ratings Limited (CARE Ratings) has factored in operational and managerial linkages 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 in medium term considering integrated nature of operations, diversified product profile and low debt levels.

Detailed description of 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 group's operations 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), and solvent extraction, among others. It has pan-India presence, in over 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 grown poultry players in India. The group has a team of experienced scientists who carry out research and development (R&D) and ~350 veterinarian doctors.

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited'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 ~14 express outlets for processed chicken under VIL in 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 southern region of India. VIL is one of the largest producers of Specific Pathogen Free (SPF) eggs in Asia. 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. 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 promoters in poultry business

VIL is promoted and currently managed by second generation led by Anuradha Desai, Chairperson. She has an extensive experience of over 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.

Improvement in profitability despite scale of operations moderated in FY24

In FY24, scale of operations stood at ₹3,738.66 crore compared to ₹4,233.68 crore in FY23. Revenue was majorly impacted by lower realisations from oilseed products, driven by a fall in soybean oil prices in the global and domestic markets in the year. However, profit before interest, lease rentals, depreciation and taxes (PBILDT) margin improved by 70 bps to 3.34% in FY24 against 2.64% in FY23, driven by stabilising input costs and favourable market conditions. While the poultry and poultry products segment faced subdued realisations up to December 2023, its performance rebounded in Q4FY24, supported by better realisations from the sale of old chicks and grown-up broilers. The segment's profitability further benefitted from reduced costs of key inputs such as maize and soya compared to the previous year. With improvement in PBILDT and stable fixed capital charges, profit after taxes (PAT) margin increased to 2.11% in FY24 from 1.66% in FY23.

In H1FY25, VIL's overall performance showed significant improvement compared to H1FY24, despite a seasonal dip in Q2FY25. PBILDT margin for H1FY25 reached 8.59%, an increase of 339 basis points over the 5.20% margin recorded in H1FY24. This improvement was primarily driven by strong Q1FY25 performance, which benefited from higher demand in the poultry and poultry products segment, and improved realisations from the sale of day-old chicks and grown-up birds.

Comfortable capital structure and debt protection metrics

In the absence of new debts and improvement in tangible net worth supported by accretion to reserves, the company's capital structure remained comfortable with overall gearing of 0.13x as on March 31, 2024, against of 0.15x as on March 31, 2023. Since the company has no debt-funded capex plans in the near future and the working capital utilisation is also expected to remain at ~65-70%, the company's capital structure is expected to remain at a comfortable level. Debt protection metrics also continues to be comfortable with interest coverage of 6.87x for FY24 (PY:6.05) and total debt to gross cash accruals (TD/GCA) of 1.48x as at the end of FY23 (PY:1.78x).

Key weaknesses

Vulnerability of profits to raw material price movements

The poultry industry, consuming over 50% of domestic maize production, is highly sensitive to feed costs, with maize and soybean forming 70-75% of production expenses. The VH Group's profitability of remains susceptible to fluctuations in raw material prices, as raw material costs account for ~75% of the overall cost structure. Maize and soyabean are key inputs in feed, whose prices have a direct bearing on the profitability of the players. In FY23, average prices of maize and soybean were ₹24/kg and ₹53/kg, respectively. However, in FY24, prices reduced to ₹22.50/kg for maize and ₹47.50/kg for soybean supporting the profitability. Going forward, prices of soyabean are expected to remain stable, however, with maize being diverted towards ethanol production, its prices would remain key monitorable. The poultry industry remains a buyers' market, and sharp increase in raw material costs may not be fully passed on to consumers, leaving the group's profitability exposed to raw material price volatility.

Inherent risks associated with the poultry business such as disease outbreaks

There have been instances of disease outbreaks such as avian influenza (bird flu) in poultry products in India impacting the poultry market, reducing demand suddenly and subsequent inventory losses. VIL has developed its farms at different locations with distances of ~5-10 km between two farms to reduce chances spreading contagious diseases. A large part of the company's broiler processing capacity is under contract farming, which is spread across the country, reducing impact of major disease

outbreaks. The VH Group has its in-house poultry vaccine plant, poultry pharmaceutical, and poultry bio-security products manufacturing units, and a nationwide network of poultry disease diagnostic laboratories as measures to minimise risks arising from poultry disease outbreaks. Irregular outbreaks such as Coronavirus and bird flu have affected the poultry industry in the past. Vulnerability of such flu outbreaks still exists and may impact fortunes of companies present in the poultry sector.

Liquidity: Strong

The company has a strong liquidity position marked by free cash balance of ₹49.84 crore and current investment in mutual fund ₹105.09 crore as on March 31, 2024. In projected years, GCA is expected to be in the range of ₹140-160 crore against nil repayment obligation. VIL's net cash flow from operations remained at ₹79.18 crore in FY24. the company's fund-based working capital limits remained utilised to ~70-75%. Its unutilised bank lines (~₹90 crore) are adequate to meet its incremental working capital needs in the next one year. The company has no plans to avail additional debt in projected years. The company's working capital is largely funded by cash credit facilities, overdraft and short-term loans from banks and internal accruals. It operates in a working capital-intensive industry. The working capital cycle remains stable at 66 days in FY24.

Environment, social, and governance (ESG) risks

Parameters	Risk Factors
Environmental	The company 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 product life cycle. 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 upliftment of the society, promotion of sports, and rural development projects among others. Directly procured agricultural produce such as soya from local farmers, eliminating intermediaries.
Governance	Being a listed company, VIL complies with the regulatory requirement for disclosures. The company has all 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 among others. Its board of directors comprises of 10 directors, which include five independent directors, including three women directors.

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

[Factoring Linkages Parent Sub JV Group](#)

About the company and industry

Industry classification

Macroeconomic 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 integrated poultry business and mainly deals in the broiler bird segment, solvent extraction and vegetable oil refinery segments with activities primarily concentrated in northern and north-eastern 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 inorganic and organised 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, 2023 (A)	March 31, 2024 (A)	H1FY25(UA)
Total operating income	4233.68	3738.66	1602.73
PBILDT	111.75	124.89	137.65
PAT	70.48	79.07	82.94

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25(UA)
Total operating income	4233.68	3738.66	1602.73
Overall gearing (times)	0.15	0.13	0.11
Interest coverage (times)	6.05	6.87	17.08

A: Audited; UA: Unaudited NA: Not Available. Note: these are latest available financial results
 The financials are classified per CARE Ratings' Standards.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating History for last three years: Annexure-2

Detailed explanation of covenants of rated facility: Annexure-3

Complexity level of 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 and Rating Outlook
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 2024-2025	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
1	Fund-based - LT-Term Loan	LT	-	-	-	1)Withdrawn (05-Jan-24)	1)CARE A+; Stable (30-Nov-22) 2)CARE A+; Stable (17-Nov-22)	1)CARE A+; Stable (16-Nov-21)
2	Fund-based/Non-fund-based-LT/ST	LT/ST	60.00	CARE A+; Stable / CARE A1+	-	1)CARE A+; Stable / CARE A1+ (05-Jan-24)	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)
3	Non-fund-based - ST-BG/LC	ST	32.50	CARE A1+	-	1)CARE A1+ (05-Jan-24)	1)CARE A1+ (30-Nov-22) 2)CARE A1+ (17-Nov-22)	1)CARE A1+ (16-Nov-21)
4	Fund-based - LT/ST-CC/PC/Bill Discounting	LT/ST	197.00	CARE A+; Stable / CARE A1+	-	1)CARE A+; Stable / CARE A1+ (05-Jan-24)	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)
5	Fund-based - ST-Term loan	ST	-	-	-	-	-	1)Withdrawn (16-Nov-21)

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated facilities: Not applicable**Annexure 4: Complexity level of instruments rated**

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

Annexure-5: Lender details

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

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

Contact us

Media Contact Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in Relationship Contact Saikat Roy Senior Director CARE Ratings Limited Phone: +91-22-67543404 E-mail: saikat.roy@careedge.in	Analytical Contacts Akhil Goyal Director CARE Ratings Limited Phone: 02267543437 E-mail: akhil.goyal@careedge.in Darshan Shah Assistant Director CARE Ratings Limited Phone: 02267543436 E-mail: darshan.shah@careedge.in Anup Purandare Assistant Director CARE Ratings Limited E-mail: anup.purandare@careedge.in
--	--

About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

Disclaimer:

The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

For detailed Rationale Report and subscription information, please visit www.careedge.in