

Vallabha Feeds Private Limited

April 02, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	3.00	CARE BB; Stable	Assigned
Long Term Bank Facilities	24.00	CARE BB; Stable	Upgraded from CARE BB-; Stable
Short Term Bank Facilities	1.00	CARE A4	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The revision in rating assigned to the bank facilities of Vallabha Feeds Private Limited (VFPL) reflects improvement in the financial performance in FY24 (FY refers to April 01 to March 31) and during 9MFY25 with better albeit elongated operating cycle in FY24. The ratings remain constrained by marginal decline in PBILDT margin in FY24, moderately leveraged capital structure, and weak debt coverage indicators as on March 31, 2024. The company's performance is also vulnerable to disease outbreaks such as flu, which can significantly impact the industry. Additionally, the highly fragmented and competitive nature of the industry further limits the company's pricing power. The ratings, however, derive strength from the experienced and resourceful promoters, as well as diversified and established relationships with customers and suppliers, which provide stability and support to the business.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Ability of the company to improve TOI to more than Rs. 225 crore and PBILDT margin at or above 5% on a sustained basis.
- Overall gearing around 1.00x on a sustained basis.

Negative factors

- Elongation in working capital cycle to more than 180 days.
- Deterioration in the capital structure with overall gearing deteriorating beyond 2x, in future.

Analytical approach: Standalone

Outlook: Stable

The 'Stable' outlook on the ratings of VFPL reflects experience promoters with long track record in trading of agri-commodities

Key weaknesses

Moderately leveraged capital structure and weak debt indicators

The company's overall capital structure weakened, with a gearing ratio of 1.96x as of March 31, 2024, compared to 1.71x as of March 31, 2023. The deterioration was primarily due to an increase in interest free unsecured loans from promoters, rising from ₹9.83 crore in FY23 to ₹16.92 crore in FY24. The company remains reliant on debt due to its moderate scale, with a net worth of ₹25.41 crore as of March 31, 2024. The company's total debt stood at ₹49.92 crore as of March 31, 2024, comprising term loans, working capital limits and interest free unsecured loans from promoters.

Debt coverage indicators remained marginally weak, with a moderate PBILDT interest coverage of 1.53x in FY24 (against 1.42x in FY23) and a high total debt to GCA (TD/GCA) of 27.19x in FY24 (improved from 32.8x in FY23). The improvement was driven by better profitability during the year.

Operating cycle improved yet remain elongated in FY24

The company's operating cycle improved from 118 days in FY23 to 96 days in FY24 due to lower collection and inventory days compared to the previous year. The faster inventory turnover and timely collections contributed to this improvement.

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

VFPL provides a credit period of 45–60 days to its customers but receives only 15–20 days from its suppliers, resulting in low creditor days. Despite the improvement, working capital utilization remained high, averaging 97.65% over the past 12 months ending December 2024

Vulnerability of the industry's performance to outbreaks of flu and other diseases

The Indian livestock export industry is facing several challenges that threaten its growth and sustainability. A major concern is the recurring outbreaks of animal diseases such as Foot-and-Mouth Disease (FMD) and Avian Influenza (AI). These diseases not only impact livestock health and productivity but also lead to trade restrictions imposed by importing countries, jeopardizing India's export potential. The repercussions of such outbreaks extend beyond immediate losses, potentially causing long-term damage to India's reputation as a reliable livestock exporter.

Additionally, irregular outbreaks of diseases like Coronavirus, bird flu, and others can impact the cattle feed industry to some extent.

Profitability margins susceptible to fluctuation in raw material prices

Over the past two to three years, the country's livestock industry has faced an unprecedented rise in the prices of key feed materials, such as corn and soymeal. In response, local farmers' representatives have urged the government to liberalize trade policies and allow more imports of essential ingredients. The prices of key raw materials remain volatile due to fluctuations in global prices and production, which directly impacts the company's profitability, as approximately 80% of its total costs are attributed to raw materials. Any adverse price movement affects the company's margins. However, with its experienced team and market expertise, the company effectively navigates price dynamics, enabling it to procure quality raw materials at better prices.

Key strengths

Experienced management with long track record in the trading of agri-commodities

The promoters have over two decades of experience in the agriculture and animal feeds business. Their long-standing presence in the industry has enabled them to build strong relationships with stakeholders across India and develop a wide marketing network, which benefits the company from an operational perspective.

Improvement in total operating income and moderate profitability

The company's TOI witnessed a significant growth of ~39%, increasing from ₹89.55 crore in FY23 to ₹124.29 crore in FY24. This growth was driven by a increase in sales volume, backed by growing demand for cattle feed in India, which is in turn supported by high demand for milk and milk products. Higher sales realization also contributed to the increase in TOI. However, operating margins, marked by PBILDT, slightly declined despite higher sales realization, and remained moderate at 4.47% in FY24 compared to 4.97% in FY23, due to rising raw material costs and other manufacturing expenses. Nevertheless, PAT margins turned around from a negative to positive 0.63% in FY24 due to lower interest expenses.

Diversified and established relationship with customers and suppliers:

VFPL has been in the market for over a decade, building strong relationships with both customers and suppliers. The company generates around 40–50% of its annual revenue from its top 10 customers, reflecting a loyal customer base that ensures stable revenue. However, its business operations are geographically concentrated, with its customer base primarily covering Telangana and Andhra Pradesh

Liquidity: Adequate

The company's liquidity position remains adequate, marked by projected gross cash accruals of Rs. 3.79 crore in FY25 as against repayment obligation of Rs 1.79 crore for FY25. VFPL has minimal free cash and cash equivalents of ₹0.16 crore as on March 31, 2024. The liquidity is also supported by a current ratio of 1.78x. Although, considering the working intensive operations, the working capital utilisation remained on a higher side at about 98% for last 12 months ended February 2025.

Assumptions/Covenants- Not Applicable

Environment, social, and governance (ESG) risks - Nil

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](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Food Products	Animal Feed

Vallabha Feeds Private Limited (VFPL) was founded in 2009 by Shri Bolla Brahma Naidu, former Managing Director of Tirumala Milk. The company was established with the objective of providing comprehensive animal nutrition to cattle. The company aims to enhance its market presence by establishing retail feed shops in each district, particularly in areas where the current dealer network is not accessible. Moreover, VFPL is exploring opportunities to diversify its product offerings by entering the supply of other feed supplements such as Calcium and Mineral mixtures.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY2025(UA)
Total operating income	89.55	124.29	130.41
PBILDT	4.45	5.56	6.38
PAT	-0.07	0.79	NA
Overall gearing (times)	1.71	1.96	NA
Interest coverage (times)	1.42	1.53	2.36

A: Audited UA: Unaudited NA: Not Available; Note: these are latest available financial results

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 instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/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-Cash Credit		-	-	-	24.00	CARE BB; Stable
Fund-based - LT-Term Loan		-	-	30-11-2026	3.00	CARE BB; Stable
Non-fund-based - ST-Bank Guarantee		-	-	-	1.00	CARE A4

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/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-Cash Credit	LT	24.00	CARE BB; Stable	-	1)CARE BB-; Stable (29-Mar-24)	-	-
2	Non-fund-based - ST-Bank Guarantee	ST	1.00	CARE A4	-	1)CARE A4 (29-Mar-24)	-	-
3	Fund-based - LT-Term Loan	LT	3.00	CARE BB; Stable				

LT: Long term; ST: Short term

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

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - ST-Bank Guarantee	Simple

Annexure-5: Lender detailsTo view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: 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.

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