

INDIAN POULTRY INDUSTRY

Earnings improved in H1 FY2024;
commodity inflation could disrupt
the momentum in H2 FY2024

DECEMBER 2023



Broiler meat realisations, improved in H1 FY2024 on the back of healthy demand and controlled supply. ICRA expects the improvement to sustain with the ongoing festive and wedding season demand.

Feed costs moderated in H1 FY2024. However, with a decline in kharif output of soyabean and maize, and a lag in the rabi sowing for the latter, grain prices may rise again and could exert pressure on poultry companies' margins in H2 FY2024.



ICRA maintains its expectation of 8-10% revenue growth for the domestic poultry industry¹ in FY2024. The growth will be driven by healthy volume growth, improving share of organised players and stable realisations. In ICRA's estimates, live-bird realisations started improving from start of the current fiscal with revival in demand aided by benign demand-supply dynamics. ICRA expects the improvement to sustain during the recently concluded festive and ongoing wedding season.



The profitability indicators of poultry companies also improved considerably in H1 FY2024 aided by a combination of healthy volume growth, improved realisations and lower input material costs. In FY2023, maize prices (~60-65% of feed cost) remained elevated, however, the same corrected in H1 FY2024 by almost 10% vis-à-vis FY2023. Likewise, soyabean prices (~30-35% of feed cost) have also remained stable during the current fiscal. While the raw material pricing has been favourable so far, substantial contraction in soyabean harvest during the kharif season and delayed sowing of maize raise concerns on potential spike in feed costs, which is likely to exert pressure on margins of poultry companies. Accordingly, companies' ability to maintain pricing discipline by optimising placement remains key.



Industry credit profile remains vulnerable to the inherent volatility in earnings. Over the medium to long term, we expect the demand to be favourable, supported by rising urban population, changing eating habits and growing penetration of quick-service restaurants. We also expect poultry companies to keep investing towards value-added products like processed chicken as well as backward integration (into environment-controlled farms, feed mills) and efficiency improvement initiatives.



There was a longstanding dispute between the US and India whereby US poultry imports into India were restricted. This was resolved in September 2023 and could have an adverse impact on domestic players due to increased competitive pressures. The extent of the impact will remain a monitorable. Further, the World Organisation for Animal Health's (WOAH) approval of self-declaration by certain Indian farms being bird flu-free augurs well for the industry as an opportunity to tap export markets over the medium to long term.

¹ ICRA's sample set includes following companies - Abis Exports, Abis Sampoorana, CPF (India), Japfa Comfeed, Shalimar Hatcheries, Siddhivinayak Poultry Breeding Farm and Hatcheries, SKM Animal Feeds, Srinivasa Farms, Suguna Foods, Life Line Feeds India, Life Line Hatcheries, Premium Chick Feeds & Yojana Poultry.

1 Trend in input prices



2 Trend in realisations



3 Bird flu - a key vulnerability



4 ICRA's Outlook



5 ICRA's ratings





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