

December 06, 2023

Tasa Foods Private Limited: Ratings upgraded to [ICRA]BB+ (Stable)/ [ICRA]A4+ and rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – Term loan	8.50	8.50	[ICRA]BB+ (Stable); upgraded from [ICRA]BB (Stable)
Long-term – Fund based - Cash credit	0.25	0.25	[ICRA]BB+ (Stable); upgraded from [ICRA]BB (Stable)
Short-term – Fund based	28.00	40.00	[ICRA]A4+; upgraded from [ICRA]A4/ assigned for enhanced amount
Short-term – Non fund based	5.00	2.00	[ICRA]A4+; upgraded from [ICRA]A4
Total	41.75	50.75	

*Instrument details are provided in Annexure-I

Rationale

While arriving at the ratings, ICRA has taken a consolidated view of Tasa Foods Private Limited (TFPL) and RMM Food Products Private Limited (RFPPL), together referred to as the Group, as they share common management and operational and financial linkages.

The ratings upgrade reflects an improvement in the Group's revenues in FY2023 by 14% to Rs. 244.7 crore backed by improved order flow and increased capacities. This was also supported by generation of healthy cash accruals. Moreover, the financial profile of the Group remains healthy reflected in interest coverage of 3.8 times and Total Debt/OPBDITA of 2.0 times in FY2023. The ratings continue to factor in the extensive experience of promoters in the food processing industry and established relationships with customers. The ratings continue to derive comfort from the proximity of the Group's manufacturing facility to the mango-producing belt and favourable regulatory support extended by the Government of Andhra Pradesh in the form of capital subsidy and interest subvention for capacity expansion.

However, the ratings are constrained by the moderate scale of operations and moderate albeit improving net worth of the Group. Moreover, the ratings continue to be constrained on account of the fragmented nature of the industry, which limits the pricing flexibility of industry participants. ICRA notes that raw material prices in the food business are vulnerable to climatic conditions and agricultural output, which make the Group's margins volatile. The Group is also exposed to forex fluctuation risks as the major portion of its revenue is derived from exports.

The Stable outlook considers ICRA's expectations that the Group will continue to benefit from the experienced management and established relationships with key customers.

Key rating drivers and their description

Credit strengths

Healthy increase in revenues and profitability in FY2023; momentum likely to be continued in current fiscal - The Group had witnessed steady improvement in revenues over the years. The revenues were driven by increased capacities and repeat orders. The Group had registered revenues of Rs.244.7 crore in FY2023 with a YoY growth of ~14%. Further, the operating margins are also likely to remain stable. Further, it's manufacturing unit is in Chittoor, Andhra Pradesh, which is one of the

major mango-growing belts in the country. This helps the company buy good quality raw materials and reduce transportation expenses.

Extensive experience of promoters in food processing industry and long-term relationships with key clients - The promoters of the Group have over two decades of experience in the food processing industry. The Group has established marketing and sales network across Andhra Pradesh, which helped the company position itself in the processed food industry. Further, the Group has received repeat orders from its major customers like Parle Agro Foods Private Limited and other export clients, indicating their established relationships with the Group. A diversified product portfolio and sizeable manufacturing base enabled the company to develop a wide customer base, which includes Dabur, Nestle and ITC, among others. A steady increase in offtake by the same would support the Group’s revenues, going forward.

Credit challenges

Seasonality in business and agro-climatic risks - Seasonality leads to low-capacity utilisation for a significant period of the year and variability in working capital requirements. It also exposes the Group to agro-climatic conditions. Raw material prices in the food business are vulnerable to climatic conditions and agricultural output.

Intense competition in food processing industry and exposure to foreign exchange rate fluctuations - The Group continues to operate on a modest scale in the processed food industry, which is characterised by the presence of several organised and unorganised players. The competitive pressure limits scaling up of operations and pricing flexibility. Further, the Group earns significant export revenues, which expose it to volatility in the forex rates. The absence of forex-hedging mechanism may exert pressure on profitability.

Liquidity position: Adequate

The Group’s liquidity has improved in the recent past on the back of enhancement in its working capital limits coupled with improved earnings. Its cash flows are expected to remain adequate, supported primarily by the unutilised lines of credit. Its average working capital utilisation in the past 12 months ending in September 2023 stood at ~53%. Further, the Group is expected to generate fund flow from operations of ~Rs. 15 crore in FY2024 against debt repayments of Rs. 6.2 crore in the fiscal.

Rating sensitivities

Positive factors – ICRA could upgrade the ratings if there is any significant increase in the Group’s revenues and profitability, leading to strengthened net worth position and improvement in its liquidity position.

Negative factors – The ratings could be downgraded if there is any significant decline in the operating income (OI) or profitability, resulting in weakened debt protection metrics and a deterioration in the liquidity position. A specific metric that could result in a rating downgrade is if Debt/OPBDITA is higher than 3.5 times, on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not Applicable
Consolidation/Standalone	The ratings are based on consolidated view of TFPL and RFPPL and the list of the companies considered for consolidation have been mentioned in Annexure-2

About the company

TFPL, incorporated in 1999, is involved in the production of fruit pulp and fruit concentrates. The company's manufacturing plant is in Chittoor district in Andhra Pradesh, which is one of the main mango-growing belts in India. The installed capacity of the plant is 55,000 MTPA. The major export destinations of the company include European and African countries. The company is involved in sales of fruit pulps and fruit concentrates of guava, banana and papaya apart from mango. TFPL also processes mango and supplies pulp to Parle Agro Private Limited, ITC, Dabur, Nestle, etc., on a job-work basis.

RMM Food Products is a partnership firm established in 1984 and exports fruit pulp. The major varieties exported include mango and guava, among others. The firm also manufactures fruit juices under the brand Sipras and sells in the domestic markets. The manufacturing plant of RMM Food Products is also located in Chittoor. In FY2023, TFPL had become partner with a share of 97% in RMM Foods Products. Further, in July 2023, RMM Food Products has been converted into private limited company M/s. RMM Food Products Private Limited (RFPPL).

Key financial indicators (audited)

	TFPL Consolidated		TFPL Standalone	
	FY2022	FY2023	FY2022	FY2023
Operating income	214.7	244.7	162.9	193.9
PAT	6.9	6.6	5.5	5.8
OPBDIT/OI	9.8%	8.4%	10.2%	10.0%
PAT/OI	3.2%	2.7%	3.3%	3.0%
Total outside liabilities/Tangible net worth (times)	3.6	2.4	3.7	2.3
Total debt/OPBDIT (times)	3.3	2.0	3.4	1.8
Interest coverage (times)	4.7	3.8	4.8	4.7

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amounts in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2024)		Chronology of rating history for the past 3 years				
		Amount rated (Rs. crore)	Amount outstanding as of (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2020	
				Dec 06, 2023	Dec 30, 2022	Oct 22, 2021	Mar 31, 2020	
1	Cash credit	Long term	0.25	-	[ICRA]BB+ (Stable)	[ICRA]BB (Stable)	[ICRA]BB (Stable)	[ICRA]BB (Negative)
2	Term loan	Long term	8.50	22.63	[ICRA]BB+ (Stable)	[ICRA]BB (Stable)	[ICRA]BB (Stable)	[ICRA]BB (Negative)
3	Packing credit/PCF C/FDB	short term	40.00	-	[ICRA]A4+	[ICRA]A4	[ICRA]A4	[ICRA]A4
5	Bank guarantee/letter of credit	short term	2.00	-	[ICRA]A4+	[ICRA]A4	[ICRA]A4	[ICRA]A4

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term - Fund based- Cash credit	Simple
Long-term - Fund based-Term loan	Simple
Short-term - Fund based	Simple
Short-term - Non-fund based	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Cash Credit	NA	NA	NA	0.25	[ICRA]BB+ (Stable)
NA	Term Loan	FY2016	NA	FY2024	8.50	[ICRA]BB+ (Stable)
NA	Packing credit (PC)/PCFC/FDB	NA	NA	NA	40.00	[ICRA]A4+
NA	Bank Guarantee/LC	NA	NA	NA	2.00	[ICRA]A4+

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Company Name	TFPL Ownership	Consolidation Approach
RMM Food Products Private Limited	97%	Full Consolidation

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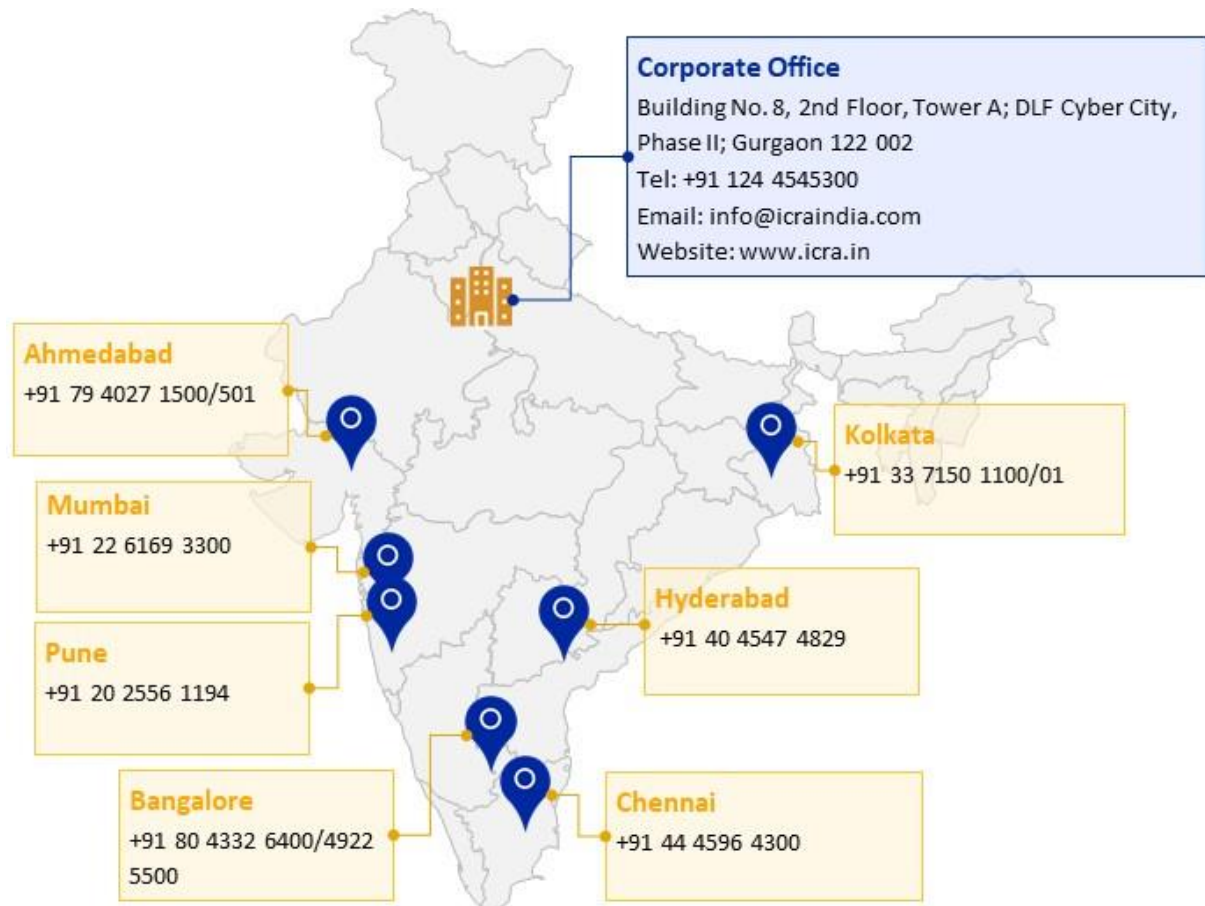
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