December 29, 2023

Aditi Foods (India) Private Limited: Long-term rating upgraded to [ICRA]BBB- (Stable) and removed from Issuer Non-Cooperating Category; rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund based – Cash credit	3.00	30.00	[ICRA]BBB- (Stable); Rating upgraded from [ICRA]B+ (Stable) ISSUER NOT COOPERATING and removed from Issuer Not Cooperating category; assigned for enhanced amount
Long-term – Fund based – Term loans	9.50	6.52	[ICRA]BBB- (Stable); Rating upgraded from [ICRA]B+ (Stable) ISSUER NOT COOPERATING and removed from Issuer Not Cooperating category
Total	**12.50**	**36.52**	

**Instrument details are provided in Annexure-I*

Rationale

Aditi Foods (India) Private Limited's (AFIPL) rating has been removed from the Issuer Not Cooperating category and the long-term rating has been upgraded. The rating action follows co-operation from the company in sharing required information and an increase in its scale over the recent years, driven by a rise in sales volume and price on the back of higher export demand.

The company's revenue has grown significantly to Rs. 64.8 crore in FY2023 from Rs. 37.8 crore in FY2018 while maintaining healthy profit margins of around 15%, resulting in increased cash accruals. Consequently, the company's debt coverage metrics have remained comfortable with some improvement in the recent years. Going forward, a steady growth in Hotel, Restaurants and Catering (HoReCa) segment, which is the major consumer of mango pulp, would continue to support the company's business growth and profitability. The rating continues to take into consideration the extensive experience of AFIPL's promoters in the food processing industry (mango pulp production) and established relationships with customers. The company derives significant comfort from the proximity of its pulp-manufacturing facility to the mango-producing belt.

However, the rating is constrained by AFIPL's relatively smaller revenue, though it increased significantly in the recent years and its low net worth base of Rs. 34.2 crore as on March 31, 2023. Moreover, the ratings continue to be constrained on account of the highly competitive and 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 AFIPL's margins volatile. AFIPL is also exposed to forex fluctuation risk as the major portion of its revenue is derived from exports. ICRA notes that more than 75% of the company's revenue is derived from mango pulp, exposing it to product concentration risks. Moreover, any quality-related issue could adversely impact the company's reputation and business.

The Stable outlook on the rating reflects ICRA's opinion that AFIPL's revenue will continue to grow steadily along with stable profitability on the back of its long track record of operations and healthy demand for fruit pulps in the international market.

Key rating drivers and their description

Credit strengths

Extensive experience of promoters in food processing industry and long-term relationships with key clients – The promoters of the company have over two decades of experience in the food processing industry. AFIPL has established marketing and sales network across Maharashtra, which helped the company position itself in the processed food industry. Further, the company has received repeat orders from its export clients, indicating their established relationship. A diversified product portfolio and sizeable manufacturing base enabled the company to develop a wide customer base. A steady increase in offtake by the same would support AFIPL's revenues, going forward.

Healthy revenue growth and profitability indicators – The company's revenue grew significantly to Rs. 64.8 crore in FY2023 from Rs. 37.8 crore in FY2018, driven by increased sales volume. The sales of the company were moderately impacted during the pandemic, however, its revenue increased significantly in FY2022 and FY2023, driven by higher sales volume. Further, the operating margins remained stable, resulting in higher cash accruals for the company. AFIPL's manufacturing unit is in Nerle, Sangli district, Maharashtra which is close to the major mango-growing belts. This helps the company buy good quality raw materials and reduce transportation expenses.

Stable demand for food products, which is not related to economic cycles – Given the significant rise in disposable income and population growth, the demand for processed foods has been increasing, especially in the HoReCa segment. The same has been benefitting the food processing industry globally, though it was adversely impacted during the pandemic. ICRA believes that demand for mango pulp will grow steadily on the back of growth in the HoReCa segment, which augurs well for the company's business growth. Moreover, the demand for fruit pulps in the international market is likely to remain steady.

Moderate working capital intensity and comfortable credit metrics – The working capital intensity remained moderate at 25.8% in FY2023. The inventory days have increased to 45 as on March 31, 2023, from 19 as on March 31, 2022. The increase in inventory levels compared to the past year has been on account of higher purchases of raw material at optimum price levels at the financial year-end. The capital structure of the company has remained comfortable with a gearing of 0.5 times as on March 31, 2023. Additionally, the coverage indicators have remained at moderate levels with Total Debt/OPBIDTA of 1.8 times, TOL/TNW of 0.6 times, interest coverage of 4.7 times and NCA/Debt of 37.1% in FY2023.

Credit challenges

Financial profile characterised by small scale of operations and modest net worth position – AFIPL remains a modest sized player in the domestic food processing industry with an operating income of Rs. 64.8 crore in FY2023. While the company has maintained healthy operating as well as net profit margins over the past years, given its small size of revenue and cash accruals, the net worth base has remained low at Rs. 34.2 crore as on March 31, 2023.

Availability and prices of raw materials vulnerable to agro-climatic conditions – The seasonal nature of raw materials, mainly mango, tomato and other vegetables, requires the company to purchase and stock them in adequate volume to avoid any stockouts, which would adversely impact production. The company remains exposed to the risk of lower raw material availability and increase in prices due to adverse agro-climatic conditions, which may impact its profitability, though it tries to manage the risk by procuring raw materials from different geographies.

Vulnerability of profitability to unfavourable movements in foreign exchange rates – The company's revenues are dominated by exports, which account for 60-65% of its total annual sales, which exposes it to foreign exchange risks. There is no natural hedge in the form of imports, which enhances the risk further. However, the company books forward contracts to hedge a part of its foreign currency exposure, which mitigates the risk to an extent.

Intense competition in the food processing industry, especially from the organised sector and quality-related risks – The company faces intense competition, especially from organised players on exports. However, established relationships with its clients, especially in the overseas markets, have resulted in repeat orders. As the company is present in the food industry, its quality related risks are high, which could impact its business as well as pricing strength.

High product concentration with the major portion of revenues coming from mango pulp sales – Mango pulp remains the key revenue source for the company, contributing nearly 75% to the total sales in the past three fiscals, which is mainly exported. However, the company's set-up remains flexible enough for processing vegetables and other fruits, especially during the off-season when mango is unavailable. Exports have remained the mainstay of the company, accounting for more than 60% of its revenues in the last three fiscals. In the domestic markets, the company markets its products through a network of 200 distributors, spread mainly in the adjoining states of Karnataka and Gujarat, among others. The company extends a credit period of 30 days to its customers.

Liquidity position: Adequate

The liquidity of the company is adequate, driven by stable cash accruals, positive fund flow from operations of more than Rs. 7.0 crore likely in FY2024 and sufficient free balances maintained by it (Rs. 9.8 crore as on March 31, 2023). Moreover, the average utilisation of the company's bank limits has remained at around ~65% during the past years, which provides adequate buffer in case of urgent requirement. While the company does not have any major capex planned in the near-to-medium term, it has external term loans of Rs. 6.2 crore on its books as on March 31, 2023, annual repayment of which is around Rs. 1.4 crore and Rs. 2.1 crore in FY2024 and FY2025, respectively.

Rating sensitivities

Positive factors – ICRA could upgrade AFIPL's rating if the company demonstrates a significant increase in its revenue and profitability, leading to an improvement in its debt protection metrics and liquidity along with strengthening of its net worth on a sustained basis.

Negative factors – Pressure on AFIPL's rating could arise if there is any sharp decline in its revenues and profitability, leading to a deterioration in its debt coverage metrics on a sustained basis. Further, any significant stretch in the working capital cycle or unanticipated large debt-funded capex, resulting in a deterioration of the company's liquidity, could also result in a rating downgrade. Specific credit metrics that could lead to a rating downgrade include an interest coverage of less than 2.8 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

About the company

Incorporated in 1992, Aditi Foods (India) Private Limited is involved in processing of fruits and vegetables, primarily mango, tomato among others. The company, based in Islampur, Sangli (Maharashtra), has an installed capacity of processing 100 MT of mangoes and 20 MT of tomatoes per day. The promoter family has also promoted Aditi Packaging Industries, Vaishali Packaging Industries and Om Gurudeo Packers along with the co-operative society, Walwa Taluka Shetkari Bhaajipaala Kharedi Vikri Wa Prakriya Sanstha Limited, which is involved in trading of various agro inputs like seeds, fertilisers, pesticides among others. AFIPL is ISO 22005 (general principles and basic requirements for system design and implementation for traceability in the feed and food chain, especially considering cross national movement of food products) and BRC Global Standards certified. The company's manufacturing processes also comply to USFDA standards. The company sells its products under the brands Aditi, Hallo and Pruthvi in Indian and overseas markets.

Key financial indicators (audited)

AFIPL Standalone	FY2022	FY2023
Operating income	52.4	64.8
PAT	4.4	5.0
OPBDIT/OI	15.9%	14.9%
PAT/OI	8.4%	7.7%
Total outside liabilities/Tangible net worth (times)	0.4	0.6
Total debt/OPBDIT (times)	1.2	1.8
Interest coverage (times)	5.8	4.7

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

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current rating (FY2024)					Chronology of rating history for the past 3 years		
		Type	Amount rated (Rs. crore)	Amount outstanding as of Mar 31, 2023 (Rs. crore)	Date & rating in FY2024		Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
					Dec 29, 2023	Jul 26, 2023	May 31, 2022	-	Feb 15, 2021
1	Cash credit	Long-term	30.00	--	[ICRA]BBB-(Stable)	[ICRA]B+ (Stable) ISSUER NOT COOPERATING	[ICRA]B+ (Stable) ISSUER NOT COOPERATING	-	[ICRA]B+ (Stable) ISSUER NOT COOPERATING
2	Term loans	Long-term	6.52	5.74	[ICRA]BBB-(Stable)	[ICRA]B+ (Stable) ISSUER NOT COOPERATING	[ICRA]B+ (Stable) ISSUER NOT COOPERATING	-	[ICRA]B+ (Stable) ISSUER NOT COOPERATING

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund based – Cash credit	Simple
Long-term – Fund based – Term loans	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	**Long-term – Fund based – Cash credit**	NA	9.50%	NA	30.00	[ICRA]BBB- (Stable)
NA	**Long-term – Fund based – Term loans**	FY2022	9.00%	FY2028	6.52	[ICRA]BBB- (Stable)

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis – Not applicable

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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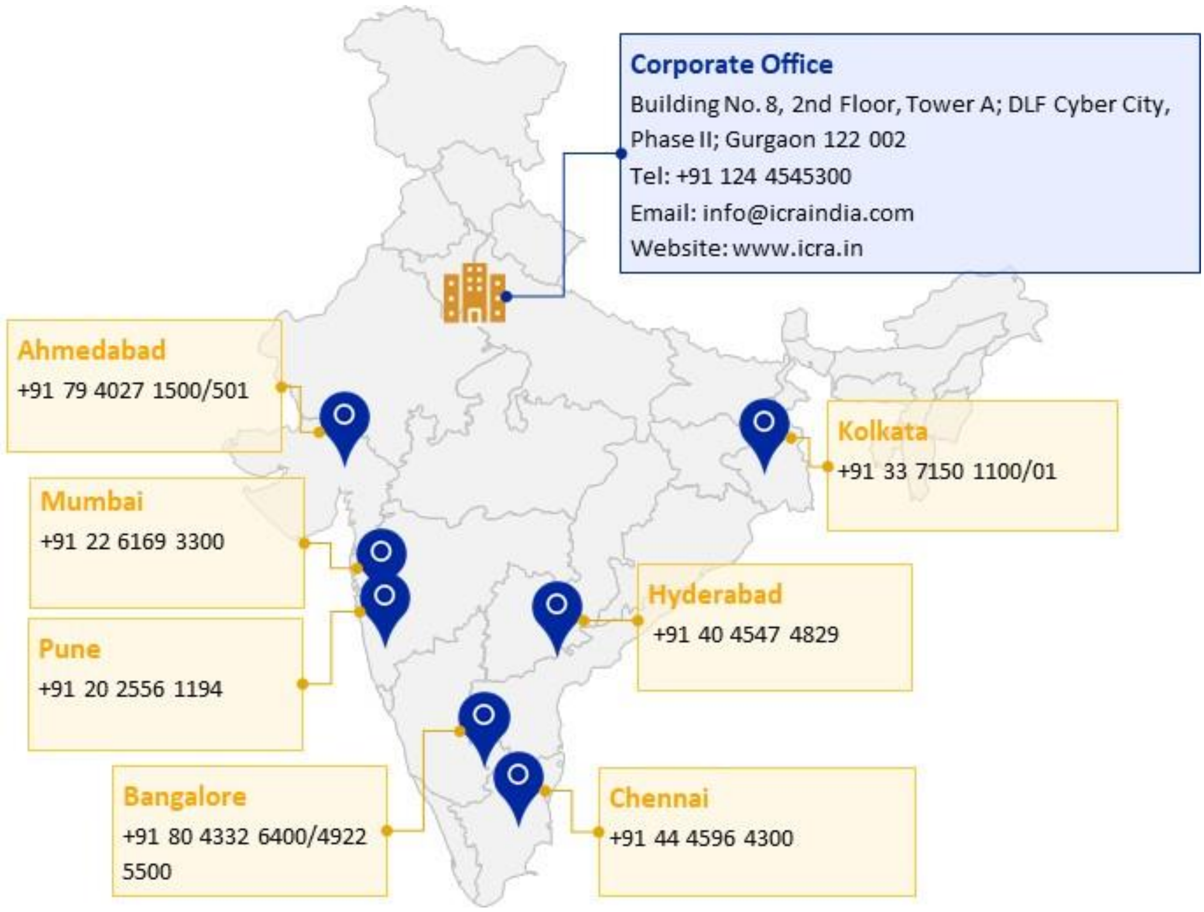

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