September 17, 2024

Agristo Masa Private Limited: Provisional [ICRA]BBB (CE) (Stable); assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based limits – Proposed^	383.00	Provisional [ICRA]BBB (CE) (Stable); assigned
Total	**383.00**	

Rating in the absence of pending actions/documents	[ICRA]BB+
Rating without explicit credit enhancement	**[ICRA]BB+**

**Instrument details are provided in Annexure-I*

^proposed term loan facility

Note: The (CE) suffix mentioned alongside the rating symbol indicates that the rated instrument/facility is backed by some form of explicit credit enhancement. This rating is specific to the rated instrument/facility, its terms and its structure and does not represent ICRA's opinion on the general credit quality of the entity concerned. The last row in the table above also captures ICRA's opinion on the rating without factoring in the explicit credit enhancement.

Rationale

For the provisional [ICRA]BBB (CE) (Stable) rating

The assigned provisional rating of [ICRA]BBB (CE) (Stable) for Rs. 383.0 crore facility of Agristo Masa Private Limited (AMPL) is based on the strength of the corporate guarantee provided by one of its sponsors, Agristo NV (Agristo). The Stable outlook on this rating reflects ICRA's outlook on the credit profile of the guarantor, Agristo.

Adequacy of credit enhancement

The provisional rating of the facility is based on the credit substitution approach, whereby ICRA's opinion on the credit profile of the guarantor has been translated into the rating of the said facility. The draft guarantee is irrevocable, unconditional, covers the entire amount and tenure of the rated facility and has a well-defined pre-default invocation and payment mechanism. Given these attributes, the draft guarantee provided by AMPL is adequately strong to result in an enhancement in the rating of the said facility to [ICRA]BBB (CE) against the rating of [ICRA]BB+ without explicit credit enhancement. If ICRA's opinion on the credit profile of the guarantor changes in future, the same would reflect in the rating of the aforesaid facility as well.

Key rating drivers and their description

Credit strengths

Established operational track record and extensive experience of its promoters in the frozen potato-based food products industry – Incorporated in 1986 and headquartered in Belgium (Europe), Agristo is an established global frozen potato-based food products manufacturer with an operational track record and extensive experience of its promoters of almost three decades in the industry. Agristo manufactures frozen french fries, potato flakes and other frozen potato specialties, mainly for private label food and beverages (F&B) players and retail service companies. It has sizeable manufacturing capacity spread over four facilities across Europe and is in the process of setting up two more facilities in France and India.

Diversified client base, which includes reputed companies – Agristo is primarily a business-to-business (B2B) supplier of frozen potato-based food products and has a diversified client base of reputed players in the global food processing and retail industry. These include Fuller Food International UK, Booker Wholesale UK, Sainsbury Supermarket, VLM Foods UK, Mercadona SA among others. The company has long-term relationships with its clients with high repeat orders, providing revenue visibility. Moreover, the company is expanding its manufacturing base into the south-east Asian market, which is expected to diversify its client base further.

Healthy financial profile – Agristo's financial profile is healthy, supported by increasing accrual generation, comfortable capital structure, strong coverage metrics and adequate liquidity position. The company reported healthy revenue growth over the past two fiscals, led by sizeable uptick in demand post the pandemic. This coupled with increasing economies of scale led to a considerable expansion in its operating margins over this period. Higher accretion to reserves translated into a healthy capital structure and coverage metrics for the company. Agristo is likely to maintain its healthy financial profile over the near- to-medium term, aided by steady internal accrual generation and no material increase in its debt levels.

Credit challenges

High competitive intensity of the industry – The company operates in a highly competitive industry, where it faces pressure from several established global and domestic players in the frozen food processing industry, limiting its pricing flexibility. However, extensive experience of promoters in the industry and healthy value addition in its products mitigate such risk to an extent. Further, owing to the high technological requirements and quality standards required by customers, entry barriers remain relatively higher for the industry, which support Agristo's business position.

Vulnerable to agro-climatic risks and resultant volatility in availability/ prices of key raw materials – As Agristo is involved in harvesting the processed variety of potato required for manufacturing of french fries near its plant, processing and maintenance of such produce are highly dependent on climatic conditions in the area. Moreover, the company is exposed to volatility in prices of key raw materials, which can impact its profitability.

Liquidity position: Adequate

For the provisional [ICRA]BBB (CE) (Stable) rating: Adequate

The liquidity position for Agristo is **adequate,** supported by healthy free cash flows, unencumbered cash and bank balances and undrawn bank lines. Moreover, the liquidity position is supported by no major debt repayment liability over FY2025-FY2026. The company has sizeable capacity expansion plans over the medium term, however, the same are expected to be adequately funded through internal accrual generation and incremental debt.

For the [ICRA]BB+ rating: Stretched

The liquidity position for AMPL is **stretched,** on account of cash balances and modest cash accrual generation, given the nascent stage of operations. AMPL has debt repayment liabilities of ~Rs. 20 crore per annum for its existing term loans and will require funding support from its sponsors over the near to medium term to adequately service the same.

Rating sensitivities

Positive factors – ICRA may upgrade the rating in case of strengthening of the credit profile of Agristo.

Negative factors – Pressure could arise on the rating in case of a deterioration in the credit profile of Agristo.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	The rating is based on the unconditional, irrevocable and continuing draft guarantee from Agristo that covers all the repayment obligations of the proposed facility
Consolidation/Standalone	Standalone

Pending action/documents required to be completed for conversion of provisional rating to final rating

The assigned rating would be converted into final rating upon:

1. Execution of corporate guarantee deed
2. Sanction letter of proposed term loan
3. Legal opinion on enforceability of the corporate guarantee in overseas jurisdiction

Validity of the provisional rating

In case the facility for which a provisional rating has been assigned is subsequently availed, the provisional rating would have to be converted into a final rating within 90 days (validity period) from the date of availing the borrowing facilities. If considered appropriate, the validity period may be extended by a further 90 days for converting the provisional rating into final, in circumstances where the rated entity expressly indicates its intention to complete the pending actions/documents over the near term. Under no circumstances shall the validity period be extended beyond 180 days from the date of issuance. For further details, refer to ICRA's Policy on Provisional Ratings available at www.icra.in.

If neither the pending actions/documents nor the issuance is completed after one year of the assignment of the provisional rating, ICRA would withdraw the provisional rating. However, the validity period may be extended beyond one year, subject to the conditions outlined in ICRA's Policy on Provisional Ratings available at www.icra.in.

Risks associated with the provisional rating

In case the issuance is completed, but the pending actions/documents are not completed by the entity within 90 days (validity period) from the date of issuance, the provisional rating will be converted into final upon the review of the required actions/documents to the extent these are completed by the end of the validity period. This implies that the provisional rating may even be revised at the end of the validity period, while being converted into final, to a level commensurate with the rating in the absence of the pending actions/documents (as disclosed earlier in the rationale). ICRA may consider extending the validity period in accordance with its Policy on Provisional Ratings available at www.icra.in.

About the company

Incorporated in 2019, AMPL is a 50:50 joint venture (JV) between IMSTO NV (holding company of the Agristo Group, Belgium) and Masa Global Food Private Limited (a part of the Wave Group, India). The company was set up as an export-oriented integrated plant for manufacturing of potato flakes and french fries in Bijnor, Uttar Pradesh.

In the first phase, the company had set up a potato flakes manufacturing facility, which commenced commercial operations in June 2022. The project cost of ~Rs. 200 crore was funded through a mix of debt and equity. This facility caters to various F&B players of the domestic and export markets. The facility enjoys location-specific advantage as it is present in Uttar Pradesh, the highest potato producing state in India, ensuring easy access to the key raw material. AMPL benefits from global industry experience, a reputed customer base and manufacturing expertise from its Belgium-based sponsor, Agristo and leverage on extensive farmer network and agronomy expertise from the Wave Group of India.

As a part of phase two, AMPL is in the process of setting up a new facility in its existing premises for manufacturing french fries. While this facility is expected to be commissioned in FY2028, AMPL has been simultaneously undertaking guided farming since 2020 for producing the Santana variety (ideal for manufacturing of french fries) of potato in the vicinity of its facility. The total capital outlay of the project is estimated at ~Rs. 766 crore, which is expected to be funded through a mix of term debt and equity in a 1:1 ratio. Both the sponsor groups will also be extending corporate guarantees for the proposed debt, wherein they will be jointly and severally liable for the proposed guaranteed amount.

As of August 2024, AMPL has only incurred minimal costs with the proposed term debt yet to be sanctioned. Thus, the company is exposed to project related risks, including financial closure, execution, and satisfactory ramp-up of operations, post commissioning. Also, it remains vulnerable to intense competition in the industry and to agro-climatic risks and the resultant volatility in availability/ prices of the key raw material.

Key financial indicators

AMPL – Standalone	FY2023	FY2024*
Operating income	42.6	145.1
PAT	- 36.0	- 4.6
OPBDIT/OI	- 37.4%	11.9%
PAT/OI	- 84.6%	- 3.2%
Total outside liabilities/Tangible net worth (times)	1.0	0.8
Total debt/OPBDIT (times)	- 6.9	6.3
Interest coverage (times)	- 2.3	1.7

*Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. crore*

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

About the Guarantor

Agristo is the flagship company of the Belgium-based Agristo Group, which manufactures frozen french fries, potato flakes and other potato-based specialties for several reputed private label and retail service companies. Established in 1986, the company operates out of its four operational manufacturing units in Europe, while setting up two more units in France and India. The company is promoted by the Raes and Wallays families, which have an extensive experience of over 30 years in the industry.

Key financial indicators (audited)

Agristo – Standalone	FY2023	FY2024
Operating income	7493.0	11351.9
PAT	629.9	1872.0
OPBDIT/OI	14.1%	24.5%
PAT/OI	8.4%	16.5%
Total outside liabilities/Tangible net worth (times)	1.3	0.8
Total debt/OPBDIT (times)	0.9	0.7
Interest coverage (times)	10.3	17.1

Source: Company, ICRA Research; for fiscal year ending December. All ratios as per ICRA's calculations; Amount in Rs. crore

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

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current (FY2025)			Chronology of rating history for the past 3 years					
			FY2025	FY2024		FY2023		FY2022	
Instrument	Type	Amount Rated (Rs Crore)	Sep 17, 2024	Date	Rating	Date	Rating	Date	Rating
Fund-based limits – Proposed ^	Long Term	383.00	Provisional [ICRA]BBB (CE)(Stable)	-	-	-	-	-	-

^proposed term loan facility

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund-based limits – Proposed	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	**Fund-based limits – Proposed^**	-	-	-	383.00	Provisional [ICRA]BBB(CE) (Stable)

Source: Company; ^proposed term loan facility

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.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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