

November 25, 2024

Unibic Foods India Private Limited: Ratings reaffirmed; 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	60.00	0.00	-
Long-term Fund-based – Term loan	0.00	8.00	[ICRA]BBB+(Stable) reaffirmed/assigned
Long term/Short Term – Fund based working capital limits	0.00	120.00	[ICRA]BBB+(Stable)/[ICRA]A2 reaffirmed/assigned
Long Term/Short Term – Unallocated	0.03	-	-
Total	60.03	128.00	

*Instrument details are provided in Annexure-I

Rationale

ICRA has taken a consolidated view of Unibic Foods India Private Limited (Unibic) and its subsidiary, RPA Unibakes Private Limited (RPA Unibakes), while assigning the credit ratings, given the common management and significant operational and financial linkages between the entities.

The ratings reaffirmation factors in ICRA's expectations that the performance of Unibic Foods India Private Limited (Unibic) is expected to remain strong over the medium term, benefitting from healthy demand outlook for its product portfolio and improving geographical presence within the country. The entity reported revenue of ~Rs. 802 crore in FY2024, a modest YoY growth of 4%. The growth was relatively subdued on account of relatively weaker urban consumer demand. The company is expected to record a revenue growth of 10-15% in the current fiscal, aided by an improvement in consumer demand and increasing presence across formats like modern trade. A sustained increase in revenues together with moderate profitability, inherently low working capital requirement of the business and phased capacity expansions (towards setting up a new plant in Hyderabad under RPA Unibakes) have supported the company's cash flows over the years and has kept the coverage indicators of the company at comfortable levels. The ratings continue to draw strength from the company's well-recognised brand, its strong distribution network, and its established relationships with reputed institutional clients. The ratings also continue to factor in the extensive experience of Unibic's promoters in the biscuit industry and favourable growth prospects for the industry.

The ratings, however, remain constrained by Unibic's exposure to stiff competition from branded as well as local/ regional players, vulnerability of the company's profitability to adverse movements in raw material prices, and high quality/ reputational risks, given the company's presence in the food industry. Further, there has been fluctuations in the operating margins due to increased raw material prices, which are usually passed on to the customers with a lag. The capex incurred towards setting up the plant under RPA Unibakes led to an increase in debt for the company over the past few years and resulted in a slightly leveraged capital structure (Total Debt/OPDBITA of 3.5 times in FY2024). However, comfort can be drawn from the fact that this facility is likely to reduce the company's dependence on outsourcing and would thereby aid Unibic in improving its operating margins over the medium term. Even though the margin of the company is likely to witness some pressure in the near term on account of inflation, expectation of gradual cash accruals coupled with limited capex outgo is likely to help the company record a gradual improvement in the debt coverage metrics, going forward.

ICRA notes that Unibic has extended loans and advances worth around Rs. 13 crore to Oriental Cuisines Private Limited, which is majority held by Peepul Capital LLC. The extension of support has led to higher dependence on external debt for the company, impacting the credit metrics to an extent. Any further extension of support to other entities, would remain a key monitorable, going forward.

The Stable outlook reflects ICRA's expectation that Unibic is likely to witness a healthy growth in revenues over the medium term, backed by its strong brand name and distribution network. The profitability of the company is also likely to improve as the installed capacity at its subsidiary is fully utilised in the coming quarters, helping the company maintain comfortable credit metrics.

Key rating drivers and their description

Credit strengths

Healthy operational profile, characterised by well recognised brands, diversified business presence and established relationships with renowned clients – The Unibic brand is well recognised in the biscuits industry and the company enjoys a strong presence and customer acceptance across India. Further, the company has a strong distribution reach through its network of distributors and retail outlets across the country. It has diversified channels of distribution including modern trade, canteen stores, institutional sales and private labels besides the traditional distribution channel. In addition, it manufactures biscuits under private label for clients like Indigo Airlines etc. The company's established relationships with a reputed client base ensures regular business, providing steady revenues.

Favourable demand outlook for the packed foods industry – The packed foods industry is expected to grow at a healthy pace in the future owing to a large population base, rising spending ability, increasing consumer consciousness about hygiene and cleanliness, and a shift in preference towards branded products consumption. Unibic is expected to benefit from this growth as it operates in the premium biscuits segment.

Extensive experience of promoters – Unibic's promoters have more than two decades of experience in the biscuits industry. Over the years, Unibic has become an established brand in the business and enjoys good brand recognition and customer acceptance across India.

Credit challenges

Intense competition from local players and other established players; high quality and reputation risks – The company faces stiff competition from local/regional as well as national players as the market remains fragmented. In the biscuits segment, the company faces stiff competition from established brands like Britannia, Anmol Industries, Mondelez, Parle and ITC among others, given its focus on the mid-premium and premium categories. Risks related to quality and reputation also remain high as the company operates in the food industry.

Vulnerability of profitability to raw material price increases – Given the intense competition in the segments in which the company operates, it is not possible to immediately and fully pass on any cost increases. As a result, Unibic's operating profitability remains vulnerable to major changes in raw material prices. This was witnessed in FY2022, wherein a sharp increase in the prices of palm oil (one of the key raw materials used in manufacturing biscuits) affected its operating margins.

Moderation in financial risk profile due to capex towards setting up new plant; gradual improvement in the same expected, going forward – The company has acquired a 100% stake in RPA Unibakes Private Limited and incurred a capex of around Rs. 140 crore towards setting up a manufacturing facility of 36,000 MTPA in Hyderabad. The funding of the same was done via a mix of debt and equity, which resulted in a slightly leveraged capital structure. However, comfort can be drawn from the fact that this facility is likely to reduce the company's dependence on outsourcing and thereby would aid Unibic in improving its operating margins over the medium term. An expectation of gradual cash accruals coupled with limited capex outgo is likely to help the company record a gradual improvement in the debt coverage metrics, going forward.

Extension of support to other entities – Unibic has extended loans and advances worth around Rs. 13 crore to Oriental Cuisines Private Limited, which is majority held by Peepul Capital LLC. The extension of support has led to higher dependence on external debt for the company, impacting the credit metrics to an extent. Any further extension of support to other entities, would remain a key monitorable, going forward.

Liquidity position: Adequate

The liquidity is expected to remain adequate aided by healthy cash flow generation from operations and cushion in working capital facilities (average buffer of ~Rs. 20 crore over the past 12 months). The entity does not have major capex plans in the near future; it has repayment obligations of ~Rs. 15 crore in FY2025.

Rating sensitivities

Positive factors – ICRA could upgrade Unibic’s ratings if the company demonstrates a sustained increase in its operating income and profit, leading to an improvement in its liquidity position on a sustained basis.

Negative factors – The ratings may be downgraded in case of sustained pressure on the company’s operating performance, adversely impacting the debt protection metrics and liquidity position of the entity. Any large debt-funded capex or significant outflow of funds in the form of financial support to Group entities may also result in ratings downgrade. Specific credit metric, which may lead to ratings downgrade, includes DSCR of less than 1.6 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology FMCG
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has taken a consolidated view of Unibic Foods India Private Limited and its subsidiary RPA Unibakes Private Limited. The ratings are based on the consolidated financials of Unibic Foods India Private Limited. As of March 31, 2024, the company had one subsidiary, details of which can be found in Annexure II.

About the company

Unibic (erstwhile Unibic Biscuits India Private Limited) was incorporated in India in 2004 and manufactures speciality cookies. Unibic, established as the Indian arm of Unibic Australia, was acquired under a stake sale by Lazard in 2011 and was subsequently sold to Peepul Capital LLC in 2013. Unibic had a factory in Bangalore with multiple wire-cut manufacturing lines. The Group has closed the facility in FY2024 and set up a new unit in Hyderabad (under RPA Unibakes Private Limited, a completely held subsidiary of Unibic). Unibic’s product range includes over 30 different cookie variants such as chocolate chips, oatmeal, butter, cashew, milk and sugar-free cookies. The company has a pan-India distribution network, although the major part of its revenue is derived from the southern part of the country. Unibic also manufactures cookies under private label for Indigo Airlines, Art of Living, Chai Point and Feasters (More). The company holds British Retailers Consortium as well as Hazard Analysis and Critical Control Point certifications that highlight the quality of its products.

Key financial indicators (audited)

Unibic Consolidated	FY2023	FY2024
Operating income	768.1	802.0
PAT	14.4	17.6
OPBDIT/OI	3.8%	6.0%
PAT/OI	1.9%	2.2%
Total outside liabilities/Tangible net worth (times)	2.3	2.2
Total debt/OPBDIT (times)	4.6	3.5
Interest coverage (times)	6.9	3.7

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 (FY2025)			Chronology of rating history for the past 3 years		
	Type	Amount rated (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
			November 25, 2024	Nov 27, 2023	Dec 09, 2022	Dec 28, 2021
1 Cash Credit	Long term	0.00	-	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB (Stable)
2 Term Loan	Long term	8.00	[ICRA]BBB+ (Stable)	-	[ICRA]BBB+ (Stable)	[ICRA]BBB (Stable)
3 Bank Guarantee	Short term	-	-	-	[ICRA]A2	[ICRA]A3+
4 Cash Credit/WCDL	Long term/short term	120.00	[ICRA]BBB+ (Stable)/ [ICRA]A2	-	-	-
5 Unallocated	Long/ Short term	0.00	-	[ICRA]BBB+ (Stable)/ [ICRA]A2	[ICRA]BBB+ (Stable)/ [ICRA]A2	[ICRA]BBB (Stable)/ [ICRA]A3+

Complexity level of the rated instruments

Instrument	Complexity Indicator
Fund-based – Cash Credit/WCDL	Simple
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	Cash Credit/WCDL	NA	NA	NA	120.00	[ICRA]BBB+(Stable)/[ICRA]A2
NA	Term Loan	FY2025	8.3%	FY2029	8.00	[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

Company Name	Unibic Ownership	Consolidation Approach
Unibic Foods India Private Limited	100.00% (Rated Entity)	Full Consolidation
RPA Unibakes Private Limited	100.00%	Full Consolidation

Source: Annual report

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