January 3, 2025

EPICU Agro Products Private Limited: Ratings downgraded

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term - Fund-based – Cash Credit	11.80	-	-
Long term - Fund-based – Term Loans	65.50	16.44	[ICRA]BBB (Stable); downgraded from [ICRA]BBB+ (Stable)
Short Term - Interchangeable (LC)	(2.00)	-	-
Long Term/ Short Term – Unallocated	-	60.86	[ICRA]BBB (Stable)/ [ICRA]A3+; downgraded from [ICRA]BBB+ (Stable)/ [ICRA]A2
Total	**77.30**	**77.30**	

**Instrument details are provided in Annexure-I*

Rationale

For arriving at the ratings, ICRA has consolidated the business and financial risk profiles of EPICU Agro Products Private Limited (EPICU Agro) and EPICU Beverages Private Limited (EPICU Beverages) as both operate in similar business sectors and share operational linkages as well as a common management. The companies are together referred to as the EPICU Group or the Group.

The ratings downgrade factors in the weakening of the Group's financial risk profile as marked by lower-than-expected revenues and earnings, exerting continued pressure on the debt protection metrics and liquidity position. The Group's revenue growth has been impacted due to lower demand for some of its products amid extended adverse weather conditions in key sales periods and muted performance of the recently launched product (Smoodh), for which the Group incurred sizeable debt-funded capex in recent years. This, coupled with volatility in raw material prices and under-absorption of fixed overheads, continued to exert pressure on its earnings over FY2024 and the current fiscal. While the Group's performance is expected to improve gradually, the high debt repayment burden, along with some volatility in earnings, is expected to keep the credit risk profile moderated. The Group's business also remains vulnerable to agro-climatic risks, given its limited ability to pass on raw material price increases. Further, the timely renewal of the franchise agreement with Parle Agro Private Limited (Parle) remains crucial.

The rating, however, draws comfort from the EPICU Group's exclusive manufacturing, sales and distribution franchisee rights for various non-alcoholic beverage brands (NABB) of Parle across five North Indian states and an established track record of operations. This supports the healthy demand, given Parle's strong market position in the NABB segment. The rating also factors in the Group's established sales and distribution network in its area of operations, the raw material sourcing arrangement that ensures product quality and its track record of meeting the quality standards of Parle.

The Stable outlook on the rating reflects ICRA's opinion that the Group will continue to benefit from its established track record and established relationship with Parle, as well as the steady demand for its products.

Key rating drivers and their description

Credit strengths

Established market position in beverages as sole franchisee of Parle's brands in five northern states – EPICU Group is the sole franchisee of Parle for manufacturing, bottling, packaging and distributing Parle's NABB in the five northern states of

Haryana, Rajasthan, Punjab, Himachal Pradesh, and Jammu & Kashmir. The Group operates through its manufacturing facilities in Mohra (Haryana), Saha (Haryana) and Alwar (Rajasthan). Moreover, the good market position of Frooti reflects the strength of the brands and adds favourably to Parle's demand and revenue generation prospects.

Established distribution network and raw material sourcing arrangement – The Group has developed a wide distribution network over the years, with a network of over 700 distributors and a warehouse in each of these five states. Frooti enjoys a healthy market position in EPICU Group's assigned states, particularly in Haryana. The presence of an established network enables the principal to access the same for its other products like Appy Fizz and Smoodh. The Group also has an established raw material sourcing arrangement, which ensures product quality and reduces risks associated with the procurement of agricultural commodities to some extent, enabling it to maintain the desired product quality.

Credit challenges

Moderation of the financial risk profile – The Group had undertaken large debt-funded capex during FY2022-FY2024 to increase its existing capacity, improve interchangeability among product lines and establish a manufacturing unit for the new product, Smoodh. In the last couple of years, the Group witnessed a decline in Appy Fizz's revenue due to the increase tax rates and the slower response for Smoodh, which led to lower earnings in FY2023 and FY2024. Higher debt and lower earnings had an adverse impact on the Group's debt protection metrics and liquidity position on a sustained basis. The lower earnings and higher repayment in FY2025 and FY2026 are likely to keep the credit metrics at a moderate level in the medium term. The gradual increase in earnings would remain critical to improve the Group's financial risk profile.

Vulnerability of earnings to adverse movement in raw material prices – As a franchisee manufacturer, the Group has limited ability to pass on increased raw material prices and remains vulnerable to adverse changes owing to agro-climatic risks. A weak mango harvest and elevated prices impacted the Group's cost structure in FY2023 and FY2024, leading to muted profitability. There has been some revival in its operating profit margins (OPM) to ~8% in FY2024 against ~3% in FY2023 due to the normalisation of the mango pulp price. However, the OPM is likely to be stable at a moderate level in the medium term due to substantial under-absorption of overheads associated with Smoodh and Appy Fizz.

Timely renewal of agreement with Parle remains crucial – The EPICU Group's manufacturing facilities are used exclusively for Parle. The Group is also Parle's sole franchisee for manufacturing, bottling, packaging and distributing Parle's NABB range. Hence, the timely renewal of the agreement with Parle remains crucial. Any adverse changes in agreement terms with Parle could impact operations. However, no issues have been identified till date.

Liquidity position: Stretched

EPICU Group's liquidity remains stretched on account of moderate cash accruals and limited cushion in cash credit limit, against high scheduled debt repayment ~Rs. 35 crore and Rs. 28 crore in FY2025 and FY2026, respectively. ICRA expects the promoters to infuse funds as and when required. The Group has no major capex planned for the medium term.

Rating sensitivities

Positive factors – ICRA could upgrade the ratings if there is healthy growth in earnings, resulting in comfortable coverage indicators and an improvement in liquidity position. In terms of specific credit metrics, DSCR higher than 1.6 times on a sustained basis will be a positive rating trigger.

Negative factors – ICRA could downgrade the rating if there is a sharp decline in the revenue and accrual generation, or a stretch in the working capital cycle, leading to deterioration in the credit metrics. In terms of specific credit metrics, total debt/ OPBDITA higher than 3.0 times on a sustained basis, will be a negative rating trigger.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Fast Moving Consumer Goods
Parent/Group support	Not applicable
Consolidation/Standalone	The rating is based on the consolidated financials of EPICU Agro and EPICU Beverages.

About the company

The EPICU Group comprises two companies—EPICU Agro and EPICU Beverages. EPICU Agro, established in November 2003, and EPICU Beverages, established in June 2019, are the sole franchisees of Parle for manufacturing, bottling, packaging and distributing Parle's Frooti, Appy Fizz and the newly launched, Smoodh, brands in the five Indian states of Haryana, Rajasthan, Punjab, Himachal Pradesh, and Jammu & Kashmir. The Group has manufacturing facilities in Ambala and Alwar. For finished products, it has an established market presence in the assigned states with a network of around 700 distributors and a warehouse in each of these states. As per the latest franchisee agreement, EPICU Beverages acts as the key franchisee, while EPICU Agro as a vendor to EPICU Beverages. The Group is promoted by Mr. Shammi Tandon, Chairman and Managing Director of the EPICU Group, who has over 30 years of experience in the industry. Mr. Ravinder Singh, Director of EPICU Beverages, looks after the overall operations of the Group. He is assisted by Mr. Sumit Khanna and Mr. Rahul Baijal, directors in EPICU Agro. Mr. Khanna and Mr. Baijal look after the daily business operations of the Group, along with the respective divisional heads.

Key financial indicators (audited)

Consolidated	FY2023	FY2024
Operating income	455.1	429.6
PAT	(35.6)	(20.8)
OPBDITA/OI	2.9%	8.3%
PAT/OI	-7.8%	-4.8%
Total outside liabilities/Tangible net worth (times)	2.2x	2.4x
Total debt/OPBDITA (times)	14.4x	4.8x
Interest coverage (times)	1.1x	2.5x

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

Note: All financial ratios as per ICRA's calculation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current (FY2025)		Chronology of rating history for the past 3 years							
	Type	Amount Rated (Rs. crore)	FY2025		FY2024		FY2023		FY2022	
			Date	Rating	Date	Rating	Date	Rating	Date	Rating
Cash Credit	Long Term	-	-	-	27-Nov-2023	[ICRA]BBB+ (Stable)	15-Sep-2022	[ICRA]BBB+ (Positive)	14-Jun-2021	[ICRA]BBB+ (Stable)
			-	-	31-Oct-2023	[ICRA]BBB+ (Positive)	-	-	-	-
Term loans	Long Term	16.44	03-Jan-2025	[ICRA]BBB (Stable)	27-Nov-2023	[ICRA]BBB+ (Stable)	15-Sep-2022	[ICRA]BBB+ (Positive)	14-Jun-2021	[ICRA]BBB+ (Stable)
			-	-	31-Oct-2023	[ICRA]BBB+ (Positive)	-	-	-	-
Letter of credit#	Short-term	-	-	-	27-Nov-2023	[ICRA]A2	15-Sep-2022	[ICRA]A2	14-Jun-2021	[ICRA]A2
			-	-	31-Oct-2023	[ICRA]A2	-	-	-	-
Unallocated	Long-term/ Short-term	60.86	03-Jan-2025	[ICRA]BBB (Stable)/ [ICRA]A3+	-	-	-	-	14-Jun-2021	[ICRA]BBB+ (Stable)

Note - Amount in Rs. crore

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term - Fund-based – Term Loans	Simple
Long Term/ Short Term – Unallocated	Not applicable

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	**Term Loans**	Sep 2018	~9.5-10%	Mar 2027	16.44	[ICRA]BBB (Stable)
NA	**Unallocated**	-	-	-	60.86	[ICRA]BBB (Stable)/ [ICRA]A3+

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	Ownership	Consolidation Approach
EPICU Agro Products Private Limited	NA	Full consolidation
EPICU Beverages Private Limited	NA	Full consolidation

Source: Company

ANALYST CONTACTS

Shamsher Dewan
91 124 4545 328
shamsherd@icraindia.com

Kinjal Shah
+91 22 6114 3442
kinjal.shah@icraindia.com

Deepak Jotwani
+91 124 4545 870
deepak.jotwani@icraindia.com

Uday Kumar
+91 124 4545 867
uday.kumar@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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.

For more information, visit www.icra.in

ICRA Limited

Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches