

September 01, 2025

AVT McCormick Ingredients Private Limited: Ratings reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Short-term – Fund based – Working capital facilities	195.00	225.00	[ICRA]A2+; reaffirmed and assigned for enhanced amount
Short-term – Interchangeable limits^	(128.50)	(158.50)	[ICRA]A2+; reaffirmed and assigned for enhanced amount
Long-term – Interchangeable limits^	(12.00)	(12.00)	[ICRA]A (Stable); reaffirmed
Long-term/Short-term – Unallocated limits	1.25	0.00	-
Total	196.25	225.00	

*Instrument details are provided in Annexure-I; ^sublimit of working capital facilities

Rationale

The reaffirmation of ratings favourably factors in the long experience of the promoters in the spices industry and AVT McCormick Ingredients Private Limited's (AM IPL) established market position in the spices export market, a wide product portfolio and a strong parentage. The ratings also take into consideration AM IPL's established customer base and long relationship with its key customers ensures repeat order and reflects good product quality. Adherence to high quality standards also supports the ratings. ICRA also takes note of the strong credit profile of the customers, limiting the counterparty credit risk. The company's financial risk profile remains comfortable, as reflected by a conservative capital structure on the back of a sizeable net worth base and no term debt, and healthy debt coverage indicators. AM IPL's top line in FY2025 witnessed a significant growth of around 27%, driven by an increase in sales volume and realisation. In FY2025, the operating profit margin (OPM) also increased by over 400 basis points (bps), mainly due to improved efficiency in raw material procurement, particularly red pepper. ICRA expects the company's financial profile to continue to remain favourable, given that the company has already achieved revenue and profit before tax (PBT) of around Rs. 160 crore and Rs. 16 crore, respectively in Q1 FY2026.

The ratings, however, continue to remain constrained by AM IPL's customer and product concentration of revenues with its top five customers driving more than 65% of its revenues over the past years and its top three products accounting for more than 60% of its revenues over the last four years. The high working capital intensity of operations and exposure of revenue and profitability to volatility in commodity prices and foreign exchange (forex) rates also impact the ratings.

The Stable outlook reflects ICRA's expectations that AM IPL would be able to maintain its business positioning while sustaining the profitability level, supported by its strong operational profile and adequate liquidity position, despite heightened competition and high working capital intensity of its operations.

Key rating drivers and their description

Credit strengths

Long experience of the promoters in the spices industry – The company is a part of the A.V. Thomas Group of Companies, which has a long track record across diversified businesses including agricultural commodities, tea, solvent extraction, leather, rubber, etc. The company has a track record of over three decades in the processing and export of spices as well as other agricultural commodities. The key promoter, Mr. Ajit Thomas, has over three decades of experience in this field and is a

prominent figure in the spices industry. His experience has been instrumental in building a large clientele in international markets and forging relationships with domestic suppliers.

Strong operational profile with established business channels – AMIPL has an established presence in the spice processing industry with a strong export market position for its key products like red pepper, black pepper, ginger and turmeric. AMIPL has an established customer base and long relationships with its key clients, which contributes to repeat business over the years and demonstrates the company's commitment to delivering quality products. The strong credit profiles of the customers also mitigate the counterparty credit risk to a large extent. The company also benefits from its strong parentage in the AVT Group, which has a long track record in agricultural commodities, and McCormick & Co., which is a global leader in spices and flavouring ingredients. The company has developed a strong supplier base for sourcing raw materials and works closely with farmers for procuring key products, which would continue to support its operations.

Comfortable financial risk profile, reflected by a conservative capital structure and healthy coverage indicators; operating margin improved in FY2025 – AMIPL continues to maintain a conservative capital structure as reflected by a gearing of 0.3 times and TOL/TNW of 0.8 times as on March 31, 2025, supported by a sizeable net worth base. The debt coverage metrics of the company also continue to remain healthy and improved to an extent in FY2025, driven by the improvement in the entity's profitability. The interest coverage of the entity improved to 5.4 times in FY2025 from 4.1 times in FY2024. ICRA expects the company's capital structure and debt coverage indicators to remain favourable, going forward, as the company does not have any long-term debt repayment obligations and has no significant debt-funded capex over the near-to-medium term. The company's operating income increased by around 27% on a YoY basis to Rs. 693.3 crore in FY2025 from Rs. 545.6 crore in FY2024 and the operating profit margin (OPM) also expanded by around 420 bps on a YoY basis to 10.7% in FY2025, driven by improved efficiency in raw material procurement, particularly red pepper and the overall improvement in realisation. ICRA expects the company's financial profile to continue to remain favourable as AMIPL has already achieved revenue and profit before tax (PBT) of around Rs. 160 crore and Rs. 16 crore, respectively in Q1 FY2026.

Credit challenges

Exposed to business concentration risks – AMIPL's revenues exhibit a considerable degree of product and customer concentration. While the company has a wide product portfolio, red pepper alone accounts for more than 50% of its revenue, exposing the business to risks arising from weak demand for the spice. Further, the McCormick Group remains AMIPL's largest customer, accounting for more than 40% of its export revenues, with its top five customers driving more than 65% of its revenues over the years. However, an established relationship and managerial linkages with the McCormick Group mitigates the risk to an extent.

High working capital intensity of operations – Given the nature of business, AMIPL's working capital intensity continues to remain high, as reflected by net working capital over operating income (NWC/OI) of around 45% as on March 31, 2025, though the same improved from 51% in FY2024. Seasonal availability of raw materials (February to June) necessitates higher stock levels at the end of the procurement season for spices, impacting the working capital intensity of operations. Despite high stock levels, demand and price risks are limited to an extent because of order-backed procurement of spices.

Vulnerability of revenues and margins to volatility in raw material prices and foreign exchange rates – The key raw materials of the company are agricultural commodities including red pepper, black pepper, turmeric, ginger, etc., which exhibit high price volatility. Further, its earnings are vulnerable to fluctuations in foreign exchange rates as AMIPL is an export-oriented unit (exports accounted for around 93% of AMIPL's revenue in FY2025). However, the risk is mitigated to an extent by a defined forex hedging policy, wherein the company maintains an average cover of 30% on export receivables.

Liquidity position: Adequate

AMIPL's liquidity remains adequate, characterised by free cash and bank balance of around Rs. 11 crore, as on March 31, 2025, and sufficient buffer in its working capital limits with an average utilisation of 70% in FY2025. The company's cash flow from operations remained positive over the past few years and ICRA expects the same to improve substantially going forward,

provided the working capital intensity of operations does not increase significantly. The absence of long-term debt repayment obligations, coupled with no planned debt-funded capital expenditure program in the near-to-medium term, also supports the entity's liquidity.

Rating sensitivities

Positive factors – The ratings may be upgraded if the company registers a material growth in its scale of operations and earnings on a sustained basis while maintaining a favourable working capital cycle and adequate liquidity profile.

Negative factors – Pressure on the ratings could arise if there is a sustained reduction in AMIPL's revenue and earnings, or if a significant deterioration in its working capital cycle adversely impacts its credit metrics and/or liquidity. Specific credit metrics that could result in ratings downgrade include an interest cover below 4.0 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

AVT McCormick Ingredients Private Limited (AMIPL) was incorporated in 1993 as a 50:50 joint venture between A.V. Thomas Group (India) and McCormick & Co., Inc. (USA). The company is involved in processing of spices and seasonings. AMIPL is registered as an Export Oriented Unit (EOU) and has its manufacturing facilities in Aluva (near Kochi), Kerala. The company has quality certifications like Hazard Analysis and Critical Control Points (HACCP), British Retail Consortium Global Standard (BRC), National Accreditation Board for Testing and Calibration Laboratories (NABL), International Organization for Standardization (ISO), McCormick vendor certifications, etc. and has complied successfully with several vendor audits.

Key financial indicators (audited)

	FY2024	FY2025
Operating income	545.6	693.3
PAT	16.4	41.6
OPBDITA/OI	6.5%	10.7%
PAT/OI	3.0%	6.0%
Total outside liabilities/Tangible net worth (times)	0.9	0.8
Total debt/OPBDIT (times)	2.3	1.1
Interest coverage (times)	4.1	5.4

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

PAT: Profit after tax; OPBDITA: Operating profit before depreciation, interest, taxes and amortization

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Amount rated (Rs. crore)	Current rating (FY2026)		Chronology of rating history for the past 3 years		
			Sep 01, 2025	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	
				Jul 31, 2024	Aug 02, 2023	Jul 29, 2022	
1 Working capital facilities	Short-term	225.00	[ICRA]A2+	[ICRA]A2+	[ICRA]A2+	[ICRA]A1	
2 Interchangeable limits	Short-term	(158.50)	[ICRA]A2+	[ICRA]A2+	[ICRA]A2+	[ICRA]A1	
3 Interchangeable limits	Long-term	(12.00)	[ICRA]A(Stable)	[ICRA]A(Stable)	[ICRA]A(Negative)	[ICRA]A(Stable)	
4 Unallocated limits	Long-term/ short-term	0.00	-	[ICRA]A(Stable)/ [ICRA]A2+	[ICRA]A(Negative)/ [ICRA]A2+	[ICRA]A(Stable)/ [ICRA]A1	

Complexity level of the rated instruments

Instrument	Complexity Indicator
Short-term fund-based working capital limits	Simple
Short-term interchangeable limits	Simple
Long-term interchangeable limits	Simple
Long-term/short-term – Unallocated Limits	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	Working capital facilities	NA	NA	NA	225.00	[ICRA]A2+
NA	Interchangeable limits	NA	NA	NA	(158.50)	[ICRA]A2+
NA	Interchangeable limits	NA	NA	NA	(12.00)	[ICRA]A (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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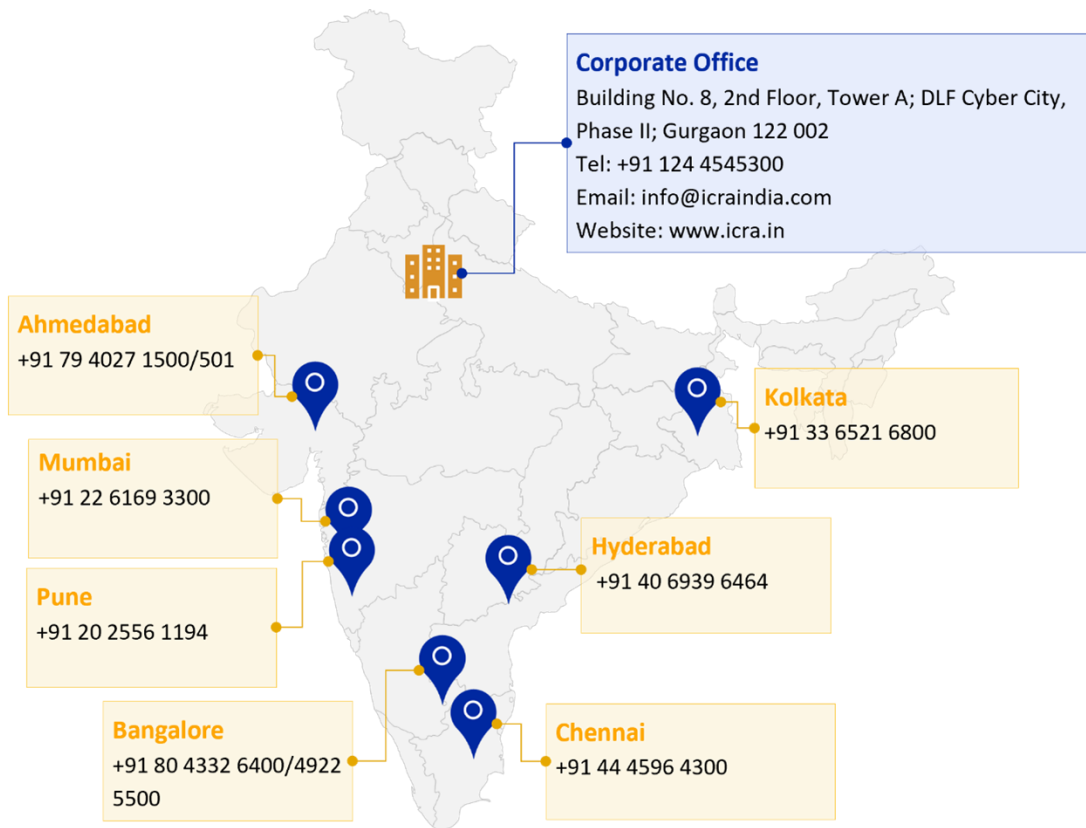
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