

October 06, 2017

Benny Product Private Limited

Summary of rated instruments

Instrument *	Rated Amount (Rs. crore) ¹	Rating Action
Long-Term – Fund based facilities	5.50	[ICRA]BB(Stable) / reaffirmed
Long-Term – Proposed	14.50	[ICRA]BB(Stable) / reaffirmed
Total	20.00	

* Instrument details are furnished in Annexure – 1

Rating action

ICRA has reaffirmed the long-term rating of [ICRA]BB (pronounced ICRA double B)² on the Rs. 5.50-crore fund-based facilities and the Rs. 14.50-crore proposed facilities of Benny Product Private Limited (“BPPL” / “the Company”). The outlook on the long-term rating is Stable.

Rationale

The rating reaffirmation factors in the sustained revenue growth witnessed in the past five years, backed by stable order flows from the Group company, Aachi Masala Foods Private Limited (AMFPL rated [ICRA]BBB+(Stable)/[ICRA]A2). Demand for the company’s products is supported by the increasing consumption of ready-to-cook products, AMFPL’s strong brand recall and vast distribution network. The rating, however, remains constrained by the moderate financial profile characterised by thin margins, high working capital intensity and stretched cash flows due to the intense competition from other organised and unorganised players. The rating also considers the high customer concentration risk as the entire sales of BPPL is made to AMFPL, which has a strong retail presence in South India.

Key rating drivers

Credit strengths

- **Stable order flows from AMFPL** – BPPL’s revenue is supported by stable order flow from its Group company, AMFPL. The revenue grew at a CAGR of 9.5% during FY2012-2017, although the growth was lower than expected in FY2017 because of the impact of currency demonetisation. BPPL processes ready-to-cook and ready-to-eat products such as Bajji Bonda Powder, Idly Chilli Powder and Pepper Powder, to name a few. Supported by AMFPL’s sustained business growth on the back of strong brand equity and wide distribution network, demand for BPPL remains favourable, which would lead to gradual scaling up of operations.

Credit weaknesses

- **High customer concentration risk** – BPPL’s entire sales are made to AMFPL, a flagship company under the Aachi group. Sales potential for BPPL depends on the demand requirements of the Aachi group, hence any changes in the Group’s sales strategies or plans to concentrate on certain line of products may impact BPPL’s portfolio. That said, the same is not anticipated in the near term as products such as Idly Chilli Power and Bajji Bonda powder command healthy demand in the market.

¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions, please refer to ICRA’s website www.icra.in or other ICRA Rating Publications

- **Moderate financial profile with thin margins and stretched cash flows** – BPPL’s margins have been historically thin because of its simple manufacturing process; and the pricing pressure with intense competition from other organised and unorganised players. Nevertheless, given the established market presence and reputation, AMFPL has competitive advantage over others, thus insulating BPPL’s revenues too to a large extent.

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

Links to applicable criteria:

[Corporate Credit Rating Methodology](#)

About the company

Incorporated in 2008, Benny Products Private Limited is a manufacturing company in the food processing sector. The company is promoted by Mr. A. D. Padmasingh Isaac, the founder chairman of AMFPL. The shares are currently held by Mr. Muthusamy Ramesh K Pandiyan, Mrs. Kanagarathinapandyan Rani Pandian and Mr. Prince Solomon, who are relatives of the promoter. They also manage the affairs of BPPL. The company has its manufacturing facility at Nallur Village, Chennai in Tamil Nadu, with installed capacity of 6.5 tonnes per day. The factory has a roasting unit, a grinding unit and a packing unit equipped with latest technology. The product portfolio of the company comprises majorly ‘ready to cook’, ‘ready to eat’ categories of food products and its flagship products are Adai Mix, Bajji Bonda Mix, Idly Chili Powder and Pepper Powder. The entire sales of the company are made to AMFPL. Currently, about ten products are manufactured by the company and are traded by AMFPL in different pack sizes across South India.

Key Financial Indicators

	FY2016 (Audited)	FY2017 (Provisional)
Operating Income (Rs. crore)	39.3	40.8
PAT (Rs. crore)	0.3	0.3
OPBDIT/ OI (%)	2.9%	3.9%
RoCE (%)	10.5%	9.8%
Total Debt/ TNW (times)	6.0	4.9
Total Debt/ OPBDIT (times)	7.4	5.3
Interest coverage (times)	2.5	3.2
NWC/ OI (%)	21.0%	22.0%

OI: Operating Income; PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; ROCE: PBIT/Avg (Total Debt + Tangible Net-Worth + Deferred Tax Liability - Capital Work - in Progress);

NWC: Net Working Capital

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years:
Table:

S. No	Instrument	Current Rating (FY2018)			Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. crore)	Date & Rating	Date & Rating in FY2017	Date & Rating in FY2016	Date & Rating in FY2015
				October 2017	September 2016	September 2015	April 2014
1	Cash Credit	Long Term	5.50	[ICRA]BB (Stable)	[ICRA]BB (Stable)	[ICRA]BB (Stable)	[ICRA]BB (Stable)
2	Proposed facilities	Long Term	14.50				

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure – 1
Instrument Details

Instrument	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
Cash Credit	-	-	-	5.50	[ICRA]BB (Stable)
Proposed facilities	-	-	-	14.50	

Source: Company

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