January 9, 2025

Pravin Masalewale: [ICRA]A-(Stable)/ [ICRA]A2+; assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long-term – fund-based – cash credit	145.00	[ICRA]A-(Stable); assigned
Short-term – non-fund based limits	5.00	[ICRA]A2+; assigned
Long-term – fund-based – term loans	218.08	[ICRA]A-(Stable); assigned
Long-term/ Short-term – unallocated limits	11.92	[ICRA]A-(Stable)/ [ICRA]A2+; assigned
Total	380.00	

**Instrument details are provided in Annexure-I*

Rationale

While arriving at the ratings, ICRA has considered the consolidated financials of Pravin Masalewale (PM), Aveer Foods limited (AFL) and Kamal Industries (KI), collectively referred to as the Group, given their operational and financial linkages, and common promoters.

The assigned ratings for the bank lines of PM consider its established presence in the spices industry with strong recognition for its key brands such as Suhana and Ambari in the Maharashtra market. The company has a well-entrenched distribution network of more than 1,500 distributors and 27 CFA agents supporting general trade, institutional sales and e-commerce channels. The company witnessed a healthy revenue growth at a CAGR of ~18% during FY2021–FY2024 on the back of a healthy uptick in sales of key products such as blended spice powder and chilli powder. The Group's consolidated financial profile is marked by healthy margins (operating margin of ~13.3% in FY2024) and comfortable debt protection metrics reflected in total debt/ OPBITDA of 1.7 times and DSCR of 3.3 times in FY2024. Its financial profile is expected to remain stable in the near to medium term, driven by revenue growth on the back of favourable demand, expanding product portfolio, and capacity expansion, leading to steady cash accruals. The ratings also factor in the extensive experience of the promoters in the masala and food processing industry, spanning over two decades, and the Group's integrated value chain, which covers raw material procurement to end sales. ICRA also notes that the Group has been receiving subsidies including the Government's Production Linked Incentive (PLI) scheme for the food processing industry, among others.

ICRA notes that the Group is setting up a new manufacturing plant at Bholi (Maharashtra), which is expected to triple its capacity, at an estimated ~Rs. 300 crore, to be funded by ~Rs. 200 crore term loans and balance through internal accruals. The company incurred capex of ~Rs. 190 crore as of November 2024 towards the project while the rest of the cost is expected to be incurred over the next few quarters. The plant is expected to commence operations towards the end of Q2 FY2026. Timely completion of the capex within the budgeted cost and successful ramp-up of operations from the new unit remain key monitorable.

Owing to the partnership structure, capital withdrawal risks exist, as seen in the last few years. Thus, the extent of capital withdrawals will remain a key rating monitorable from the perspective of liquidity management and growth of net worth, and its aggregate impact on the credit profile of the Group. The rating factors in the inherent competitive intensity in the industry, which limits its pricing power, and high geographical concentration risk with ~90% of its revenues derived from a single market (Maharashtra) in FY2024, although the Group is expanding in markets beyond Maharashtra.

The Stable outlook on the long-term rating reflects ICRA opinion that the Group will continue to record healthy growth in revenues and earnings, benefitting from its established position and strong brand presence, supporting improvement in its financial profile.

Key rating drivers and their description

Credit strengths

Established track record and extensive experience of promoters – Established in 1962, the Group benefits from the extensive experience of its promoters in the spices industry, which spans over six decades. Over the years, the Group has built a strong market position in the organised spices segment, particularly in Maharashtra. Its well-established distribution network, comprising over 1,500 distributors, coupled with its strong brand recognition, provides the Group with competitive advantages in the spice industry.

Wide product portfolio – The Group has a diversified product portfolio, catering to a wide array of culinary preferences and consumer needs. The portfolio spans pure spices such as chili, turmeric, and coriander powders, alongside a variety of blended masalas tailored for regional and multi-cuisine applications. The company also has ready-to-eat meal options, instant mixes, pickles, chutneys, and papads. The Group's affordable product range, along with its distribution network, supported product acceptance across Maharashtra and other states leading to growth in sales volume.

Comfortable financial profile – The Group's revenue witnessed a healthy CAGR of 18% during FY2021–FY2024, aided by new product launches, increased penetration in Maharashtra, and expanded presence in other states such as Karnataka, Rajasthan and Uttar Pradesh. The consolidated operating margin improved to 13.3% in FY2024 from 12.1% in FY2023 driven by a favourable product mix of higher contributions from the spice powder and instant mix segments, which garner higher margins, as well as the Group's ability to pass on raw material price increases to customers. Although the coverage metrics moderated marginally in FY2024, they remained comfortable with DSCR and interest cover of 3.3 times and 8.5 times, respectively (DSCR of 3.4 times and Interest cover of 8.9 times in FY2023). The same is expected to improve over the medium term, with likely sustenance of healthy margins and gradual moderation in debt levels (after commencement of new plant from FY2026).

Credit challenges

Susceptibility of revenues and profitability to commodity price fluctuations – The Group's operations remain vulnerable to availability of agro-commodities and volatility in their prices, which are influenced by external factors like climatic conditions and demand-supply mismatch. However, the company has generally been able to pass on the commodity price fluctuations to its customers.

High geographical-concentration risk – The Group remains exposed to geographical concentration risks with over 90% of its revenues coming from Maharashtra in the past few years. However, ICRA notes that the company is working towards increasing its market share in Rajasthan, Uttar Pradesh, and Karnataka, etc., through various sales and distribution initiatives.

Risks related to partnership nature of firm – PM is exposed to capital withdrawal risks by the partners as witnessed before, given its partnership structure. Therefore, the net worth remains vulnerable to material capital withdrawals. Though the partners have infused funds, as and when needed, mostly in the form of capital and as unsecured loans. Any such material withdrawals that weaken the net worth or the liquidity profile will remain a key rating monitorable.

Liquidity position: Adequate

The liquidity position is expected to remain adequate, supported by expected retained cash flows of ~Rs. 65-70 crore in FY2025 and buffer of ~Rs. 40 crore in its sanctioned limits as of October 2024. Further, PM also enhanced its working capital limits by Rs. 19 crore from April 2024, which is expected to support the liquidity profile. It is noted that given the seasonality in raw material procurement, utilisation is typically higher during the period July–October/November (typically till Diwali season). ICRA notes that the Group has repayment obligations of ~Rs. 30 crore in FY2025 and ~Rs. 52 crore in FY2026, which is expected to be serviced comfortably from its cash flows

Rating sensitivities

Positive factors – The rating could be upgraded if the Group demonstrates healthy revenue growth while maintaining its margins, leading to an improvement in debt protection metrics, and strengthening of its liquidity profile. Further, completion of the project without any major time or cost overrun and ramp up of operations from the same remain key monitorables.

Negative factors – Negative pressure on the rating will emanate with sustained and sharp deterioration in earnings impacting the debt metrics and / or stretch in working capital cycle or sizeable capital withdrawal/dividend payout affecting the liquidity profile. Further, any delay in the project execution, resulting in material time and cost overruns would also put pressure on the ratings. Specific credit metrics that could lead to a downgrade of ratings include DSCR less than 1.8 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	ICRA has considered the consolidated financials of Pravin Masalewale (PM), Aveer Foods limited (AFL) and Kamal Industries (KI), collectively referred to as the Group

About the company

Pravin Masalewale was established as a partnership firm in 1962 and is primarily engaged in manufacturing of packaged spices, with an installed production capacity of 50,400 MTPA. It also engaged in manufacturing papads and pickles through Kamal Industries and Aveer Foods Ltd. The company's flagship brand is Suhana, complemented by other brands such as Ambari, Sarvam, Toofan, Pravin, and Navin. Pravin Masalewale operates five manufacturing units across India; all its units are compliant with Good Manufacturing Practices (GMP) and HACCP/ISO standards.

Key financial indicators (audited)

Consolidated	FY2023	FY2024
Operating income	1,193.5	1,342.9
PAT	69.3	85.4
OPBDIT/OI	12.1%	13.3%
PAT/OI	5.8%	6.4%
Total outside liabilities/Tangible net worth (times)	1.9	1.8
Total debt/OPBDIT (times)	1.6	1.7
Interest coverage (times)	8.9	8.5

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Standalone	FY2023	FY2024
Operating income	1,083.2	1,237.9
PAT	66.9	82.4
OPBDIT/OI	12.8%	13.8%
PAT/OI	6.2%	6.7%
Total outside liabilities/Tangible net worth (times)	2.2	2.0
Total debt/OPBDIT (times)	1.7	1.7
Interest coverage (times)	9.4	8.6

Source: Company, ICRA Research; 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)	January 9, 2025	Date	Rating	Date	Rating	Date	Rating
Long term - fund based - Cash Credit	Long Term	145.00	[ICRA]A-(Stable)	-	-	-	-	-	-
Short term - non fund based limits	Short term	5.00	[ICRA]A2+	-	-	-	-	-	-
Long term - fund based - Term loans	Long Term	218.08	[ICRA]A-(Stable)	-	-	-	-	-	-
Long term / Short term -Unallocated Limits	Long Term/ Short term	11.92	[ICRA]A-(Stable)/ [ICRA]A2+	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term - fund based - Cash Credit	Simple
Short term - non fund based limits	Very simple
Long term - fund based - Term loans	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	**Cash Credit**	NA	NA	NA	145.00	[ICRA]A-(Stable)
NA	**Non-Fund Based Limits**	NA	NA	NA	5.00	[ICRA]A2+
NA	**Term loans**	FY2025	-	FY2031	218.08	[ICRA]A-(Stable)
NA	**Unallocated Limits**	NA	NA	NA	11.92	[ICRA]A-(Stable)/ [ICRA]A2+

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
Pravin Masalewale	NA*	Full Consolidation
Aveer Foods Limited	NA**	Full Consolidation
Kamal Industries	NA***	Full Consolidation

Parent entity **promoter company * promoter proprietary firm.*

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