June 6, 2025

Prataap Snacks Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – Cash Credit	50.00	50.00	[ICRA]A+(Stable); Reaffirmed
Long-term – Unallocated	50.00	50.00	[ICRA]A+(Stable); Reaffirmed
Total	**100.00**	**100.00**	

**Instrument details are provided in Annexure-I*

Rationale

The rating action for Prataap Snacks Limited's (PSL) operational track record and extensive experience of its promoters in the ready-to-eat snack industry, its diversified product portfolio and established brand presence across most states and Union Territories (UTs) in India. PSL has an integrated sales and distribution network, ensuring effective market penetration across India. The company's manufacturing facilities, including third party contract manufacturing facilities, are strategically located across India, facilitating lower logistics cost, de-risking from concentrating on a single facility and reducing transit time. In FY2025, PSL reported an operating income (OI) of Rs. 1,708 crore, aided by volume growth of around 5% over FY2024. ICRA expects the company to report range-bound growth over the near-to-medium term. The rating also factors in the company's limited dependence on bank debt, supported by an inherently low working capital intensity in the business. This has continued to result in a comfortable capital structure and healthy debt protection metrics.

However, the rating is constrained by the vulnerability of PSL's earnings to any adverse movement in raw material prices, which in turn are linked to agro-climatic conditions. The impact of margin volatility was evident in FY2025, when PSL reported a considerable decline in its operating profit margin (OPM) due to a sharp increase in input costs. PSL is also exposed to intense competition in the snacks business from large multinationals as well as regional players. As most of the revenue is generated from sales of small-sized packs, which generally follows impulse buying behaviour, the company is unable to fully pass on the increase in raw material prices amid intense competition. However, the OPM is expected to recover in the current fiscal, aided by relatively stable raw material prices and cost rationalisation initiatives being undertaken by the company, and would remain a key monitorable. The company's return indicators have been historically moderate owing to a large acquisition in the past, coupled with a substantial capex on capacity enhancement, although returns from the same are yet to reach optimum levels.

ICRA notes that a fire occurred at one of the company's plants in Jammu on December 30, 2024. This significantly affected the building, plant and machinery, leasehold improvements, and inventories at the site. However, this did not have any material impact on PSL's operations. The total financial loss resulting from this event is estimated at Rs. 34.33 crore, reported as an exceptional item in FY2025. The entire fire loss has been written off from the books, and the insurance claim proceeds will be accounted on a cash basis, as and when received.

The Stable outlook reflects ICRA's expectations that PSL's credit profile will continue to benefit from its diversified product portfolio and expanding presence across India. Absence of any large debt-funded capex plan, ample unutilised capacity, coupled with comfortable liquidity levels, are also likely to support the credit profile, going forward.

Key rating drivers and their description

Credit strengths

Extensive experience of promoters in FMCG industry – The promoters of PSL have more than two decades of experience in the ready-to-eat snack industry and manage the day-to-day operations of the business. PSL commenced trading in ready-to-eat snack from 2003, and began its manufacturing operations from 2005. Over the years, PSL has been expanding its product portfolio and increasing its presence across the country under the leadership of its Chairman, Mr. Arvind Mehta, and Managing Director, Mr. Amit Kumat.

Strong distribution network and strategically located manufacturing facilities – PSL has a strong supply chain and integrated network of more than 5,200 distributors and sub-distributors, ensuring effective market penetration. The company has also realigned most of its network to a two-layer distribution model from a three-layer one to optimise distribution costs. PSL's pan-India manufacturing facilities have enabled it in lowering logistics cost, de-risking from concentrating on a single facility, reducing transit time and improving its services, i.e., availability of products closer to the delivery schedule. The company has seven owned manufacturing units and nine contract manufacturing units, which are well placed to serve key target markets.

Well diversified product/brand portfolio – PSL has a well-diversified product portfolio with over 150 stock keeping units (SKUs) across four segments, including a wide range of savoury and sweet food products and flavours, addressing a large consumer base. The company's snacks category offers potato chips, extruded snacks, pellets, savoury (*namkeen*) and sweet snacks. It sells its products under two brands, Yellow Diamond and Avadh.

Comfortable debt coverage and adequate liquidity position – PSL's modest working capital intensity in business and low reliance on external debt have resulted in a gearing of 0.1 times and TOL/TNW of 0.4 times as on March 31, 2025. The coverage metrics have remained comfortable, reflected in total debt/OPBDITA of 1.5 times and interest coverage of 6.3 times in FY2025 due to low reliance on bank debt, despite a sharp decline in OPM in FY2025. In addition, PSL has an adequate liquidity profile, characterised by sizeable cash and liquid investments, and adequate undrawn working capital limits. Going forward, coverage indicators and liquidity are likely to remain comfortable due to low reliance on bank debt and steady cash generation from business.

Credit challenges

Volatility in margins associated with seasonality of agro-based raw materials – PSL's major raw materials are all agricultural products and include edible oil (refined palm oil), potatoes, rice, corn and gram etc. Dependency on the monsoons and weather conditions exposes the company's margins to fluctuations in raw material prices. As a large portion of India's palm oil requirement is met though imports, any adverse regulatory changes impact its prices. The company's OPM declined in FY2025 due to a sudden rise in palm oil prices along with an increase in prices of potatoes, besan and raw pellet etc. However, the OPM revived gradually in the current year primarily after the correction in agro-based input prices and recent reduction in import duty on palm oil.

Moderate return indicators amid sub-optimal capacity utilisation– PSL's return metrics have been subdued over the past few years owing to pressure on margins and deployment of capital in organic and inorganic growth. The company has invested Rs. 650-700 crore over FY2019-FY2024 in acquisitions, new manufacturing units, construction of warehouses and expansion of its existing manufacturing facilities. However, returns from the same are yet to reach its optimum level, and not in commensurate with the invested amount.

Competition from organised and unorganised players – PSL operates in the food industry, where it faces competition from large multinationals as well as local/regional players and, in turn, is exposed to pricing pressure. It is challenging for the company to pass on the increase in raw material prices amid intense competition owing to a moderate brand presence and also brecause of its presence in the small-sized pack segment, which consumers buy on impulse.

Environmental and Social Risks

Environmental considerations: Food processing companies remain exposed to the impact of changes in environmental norms with respect to the treatment of manufacturing residual discharge/waste. Accordingly, PSL could face operational disruptions if regulatory norms are not complied with. Further, with increasing awareness and restrictions on usage of different grades of plastics for packaging and finding environment-friendly solutions, PSL's cost structure may be impacted. Even though there is an increasing focus on achieving carbon neutrality, the likelihood of sudden impactful developments on this front for the industry remains low. There is also a trend towards using organically grown input materials. Such developments can potentially increase costs for FMCG companies. As PSL has a healthy dependence on agri commodities, it remains exposed to agro-climatic risks, which could result in variation in crop output/prices. Overall, entities in the FMCG industry have a low exposure to the environmental risks. They have better pricing power, as reflected in their ability to pass on the increased costs over time.

Social considerations: On the social dimension, the sector has prominent dependence on human capital, in terms of direct and indirect employees as well as contractual labour. Being an interplay of manufacturing and services business, maintaining healthy relationships with employees and suppliers and retaining talent are essential for disruption-free operations. Also, there could be quality concerns, which might adversely impact its brands. The company is also exposed to risks related to health concerns that could impact on an entire product category. While these risks are product category specific, the overall exposure of the FMCG sector to social risks remains low or moderate.

Liquidity position: Adequate

PSL's liquidity profile is adequate, supported by free cash and bank balances of about Rs. 88 crore as of March 2025 along with cushion in fund-based limits, which have been sparsely utilised (Rs. 28 crore undrawn limits as of March 2025). Further, healthy cash flow generation and inherently low working capital intensity of the business aid the company's liquidity position. PSL's cash accrual generation (Rs. 70-80 crore annually) and available working capital limit will be adequate to address its moderate repayment obligations and working capital requirements.

Rating sensitivities

Positive factors – The company's rating could be upgraded upon a sustained growth in revenues, increased diversification across products, and improvement in its return indicators, while maintaining a comfortable liquidity position and credit profile on a sustained basis.

Negative factors – The rating could be downgraded if there is any material decline in the company's revenues and profitability. Additionally, PSL's rating would be prone to a downgrade if it undertakes any aggressive debt-funded capex or experiences a significant stretch in its working capital cycle, weakening its credit or liquidity profile. An OPM of less than 4% and total debt/OPBDITA of more than 1.5 times, on a sustained basis, would be a negative rating trigger.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Fast Moving Consumer Goods Industry
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the rating, ICRA has considered the standalone financials statement of PSL

About the company

PSL, promoted by Mr. Arvind Mehta, Mr. Apoorva Kumat and Mr. Amit Kumat, is an Indian snack food company involved in manufacturing and marketing multiple product variants across potato chips, extruded snacks, traditional Indian savouries (*namkeen*) and sweets snacks under the Yellow Diamond brand. In FY2019, it entered the Gujarat market through the acquisition of Avadh Snacks Private Limited. At present, it operates through 16 manufacturing facilities, of which seven are company owned and nine are on a contract manufacturing basis. PSL's shares are listed on BSE and NSE. Sequoia exited from the company by selling their entire equity stake of 47.5% to Authum Investment and Infrastructure Limited (around 42.9%) and Ms. Mahi Madhusudan Kela (around 4.6%).

Key financial indicators (audited)

PSL (Consolidated)	FY2024	FY2025*
Operating income	1617.9	1707.7
PAT	53.1	-34.3
OPBDIT/OI	8.8%	2.9%
PAT/OI	3.3%	-2.0%
Total outside liabilities/Tangible net worth (times)	0.4	0.4
Total debt/OPBDIT (times)	0.6	1.5
Interest coverage (times)	24.7	6.3

*Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. Crore; * Limited audited result*
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

Instrument	Current rating (FY2026)				Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	FY2026		FY2025		FY2024		FY2022	
			Date	Rating	Date	Rating	Date	Rating	Date	Rating
Cash Credit	Long term	50.00	June 06, 2025	[ICRA]A+ (Stable)	Jun 28, 2024	[ICRA]A+ (Stable)	Apr 26, 2023	[ICRA]A+ (Stable)	Jan 31, 2022	[ICRA]A+ (Stable)
Unallocated	Long term	50.00	June 06, 2025	[ICRA]A+ (Stable)	Jun 28, 2024	[ICRA]A+ (Stable)	Apr 26, 2023	[ICRA]A+ (Stable)	Jan 31, 2022	[ICRA]A+ (Stable)

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term Fund-based – Cash Credit	Simple
Long 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	**Cash Credit**	NA	NA	NA	50.0	[ICRA]A+ (Stable)
NA	**Unallocated**	NA	NA	NA	50.0	[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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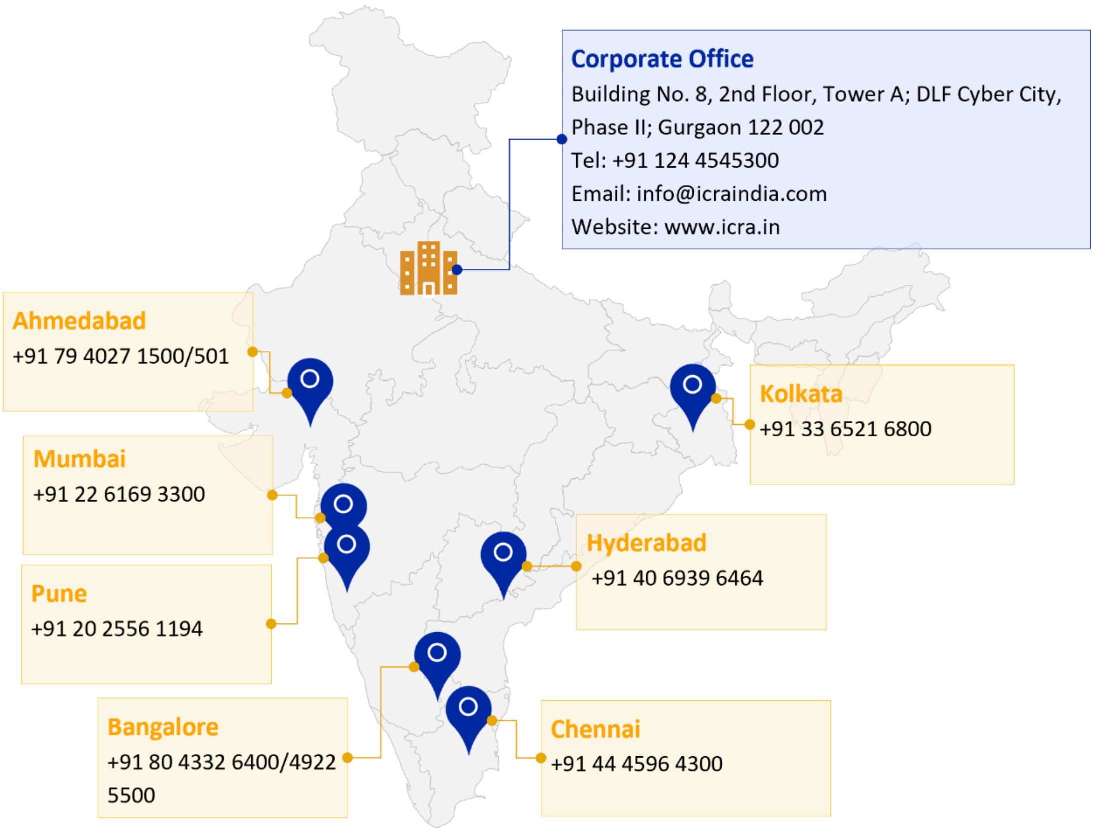

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