



Parsons Nutritionals Private Limited

	Amount in Rs. Crore [^]	Rating Action
		June 2014
Cash Credit	8.00	[ICRA]BBB- (stable) assigned
Term Loan	39.76	[ICRA]BBB- (stable) assigned
Unallocated Bank Facilities	2.24	[ICRA]BBB- (stable) assigned

ICRA has assigned a long-term rating of **[ICRA]BBB-** (pronounced ICRA triple B minus) to Rs. 8.00 crore cash credit limits, Rs. 39.76 crore term loans and Rs. 2.24 crore unallocated bank facilities of Parsons Nutritionals Private Limited (PNPL)†. The outlook on the long-term rating is 'stable'.

The assigned rating takes into account the diverse business operations of PNPL's promoter group, long track record of its management in the food processing industry and a strong client base. The rating also reflects the company's efficient working capital cycle (owing to fixed payment period from clients and regulated inventory levels); and strong growth in operating income over the last few years owing to significant increase in production capacity. Further, the commissioning of PNPL's production line in Bangalore for Cadbury Oreo biscuits (expected in June 2014) is likely to auger well for its top line growth going forward. The company has exclusive long term agreements with its clients, viz. GSK Consumer Healthcare (for its production line at Bangalore), ITC Limited and Mondelez India (Earlier Cadbury India), and a non exclusive agreement with GSK for its production line at Sahibabad. While the exclusive agreements provide long term revenue visibility and guarantee recovery of fixed costs irrespective of production levels, both forms of agreements incorporate pass through of material costs/manufacturing on job work basis (which minimize the company's exposure to raw material price risk) along with conversion charges which are revised periodically. The conversion charges take into account both fixed costs (which include return on equity, finance costs and fixed overheads) and variable costs (function of production volumes).

Nevertheless, the assigned rating is constrained by the company's relatively high gearing and significant repayment obligations owing to substantial debt funded capex over the last few years. Further, the company remains exposed to operational risks with respect to product quality, manufacturing yield and production efficiency. In this context, ICRA notes that the company's manufacturing facilities remain closely monitored by clients (GSKCH, ITC and Mondelez), and it has achieved adequate quality standards and operational parameters in the past.

Company Profile

Parsons Nutritionals Private Limited (PNPL) was incorporated in 2002. Since inception, the company has an agreement with GlaxoSmithkline Consumer Healthcare Limited (GSKCH) as a contract manufacturer of biscuits in 24 SKUs (Stock Keeping Units). The company has also entered into an agreement with ITC Ltd and Mondelez India (Earlier Cadbury India) for manufacturing of biscuits for their 'Sunfeast' and 'Cadbury Oreo' brands respectively. PNPL has two manufacturing facilities present in Sahibabad, Ghaziabad and in Harohalli, near Bangalore. PNPL also has a packing facility for Horlicks and Boost sachet packs in its plant at Sahibabad and a facility for manufacturing of Oats (Regular and Masala) for GSKCH in its plant at Bangalore.

In FY 2014, the company reported operating income (provisional) of Rs. 160.60 crore and a profit after tax (provisional) of Rs. 6.21 crore, as against operating income of Rs. 134.01 crore and profit after tax of Rs. 3.43 crore in FY 2013.

June 2014

[^] 100 lakh = 1 crore = 10 million

[†] For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications



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