

Aachi Masala Foods Private Limited

Instruments	Amount (Rs. crores ¹)	Rating Action
Long term: Term Loans	39.50 (enhanced from 29.50)	[ICRA]BBB+ (Stable) (upgraded from [ICRA]BBB (stable))
Long term: Fund Based Facilities	170.00 (enhanced from Rs. 155.00)	[ICRA]BBB+ (Stable) (upgraded from [ICRA]BBB (stable))
Short term: Non Fund based Facilities	6.80 (enhanced from Rs.1.80)	[ICRA]A2 (upgraded from [ICRA]A3+)

ICRA has upgraded the long term rating² outstanding on the Rs.39.50 crore (enhanced from Rs. 29.50 crores) term loan facility and Rs.170.00 crore (enhanced from Rs. 155.00 crores) fund based facilities of Aachi Masala Foods Private Limited ("AMFPL" / "the company") to [ICRA]BBB+ (pronounced ICRA triple B plus) from [ICRA]BBB (stable) (pronounced ICRA triple B). ICRA has also upgraded the short term rating outstanding on the Rs.6.80 crore (enhanced from Rs.1.80 crores) non fund based facilities of AMFPL to [ICRA]A2 (pronounced ICRA A two) from [ICRA]A3+ (pronounced ICRA A three plus). The outlook on the long term rating is stable.

While arriving at the ratings, ICRA has considered the consolidated financial profile of Aachi Masala Foods Private Limited and Nazareth Foods Private Limited. The combined entity is collectively referred to as Aachi Group ("The Group").

The rating upgrade factors in the improvement in overall credit profile of the company during FY2016E led by healthy ~20% growth in operating income, stable operating margins and improved debt coverage and capitalization indicators. The sales growth was driven by robust demand for the company's wide range of products, entry into new geographies and addition of new products to the portfolio. The rating also considers the established presence of the Aachi group in the South Indian market, significant experience of the promoters in the field for over two decades, integrated operations among group companies across the value chain, diversified product portfolio, strong distribution network and strong brand equity of the "Aachi" brand.

The ratings however remain constrained by the tight liquidity position owing to the working capital intensive nature of business, as reflected by a near full utilization of working capital limits, and the rising competition from both organized and un-organized players in the wake of limited entry barriers. The company has been on capex mode in the last two years – following a large debt-funded capex of Rs. 39.0 crore in FY2015 towards setting up a manufacturing facility, warehouse and a Research and Development (R&D) center, the company has plans to set up a sterilization unit to its R&D facility and a cold storage facility. While the capex is aimed at improving the revenues and reduce operating costs, materiality of the same and a timely break-even of these capex will be critical for maintaining a healthy credit profile.

Company Profile

Aachi Masala Foods Private Limited ("AMFPL"/"The Company") is a family run trading business established by Mr. Padmasingh Isaac in December 2006. The Company initially started as the marketing divisions of Nazareth Foods Private Limited (Nazareth), which produces masala powders. The marketing divisions were M/s Abhishek Enterprises (proprietary firm) and M/s Naveen Products (partnership firm), later merged together and a new company by name Aachi Masala Foods Private Limited was formed in December 2006. The company has a manufacturing facility at Gummidipoondi with an installed capacity of 140 tons/day to process chilli powder, coriander powder and mixed spices.

Currently, apart from trading Nazareth's masala products, the Company also trades other products like Atta, Oil, Ghee, Health Drinks, Dia Rice, Pickles, Asafoetida, Ready to Cook paste and papad. Currently 230 product ranges are traded by the company in different pack sizes across South India, of which masala powders alone constitute more than 100 ranges.

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



Apart from AMFPL and Nazareth, the promoters have interests in companies in similar line of business, namely- Aachi Special Foods Private Limited, Aachi Spices and Foods Private Limited ([ICRA]BB+/Stable/[ICRA]A4+), Benny Products Private Limited ([ICRA]BB/Stable) and other businesses like Flora Laminates which is engaged in the manufacturing of multilayer flexible packaging films.

Recent Results

At the consolidated level, the Aachi group reported a net profit of Rs.20.6 crores on an operating income of Rs. 855.2 crores in FY2015 against a net profit of Rs.19.3 crores on an operating income of Rs. 757.9 crores.

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