

Press Release

AICO FOODS LIMITED (AFL)

21 March, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 20.80 Cr.
Long Term Rating	SMERA B+ / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B+** (read as **SMERA B plus**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs.20.80 crore bank facilities of AICO FOODS LIMITED. The outlook is '**Stable**'.

The Gujarat-based Aico Foods Limited (the erstwhile Aico Finance Limited) incorporated in 1995 manufactures and sells Khakra (snack) to local customers in Ahmedabad under the Rajhans brand name. The company also caters to Future Consumers Limited. The company plans to expand capacity and manufacture instant noodles, tortilla chips and flavored makhana.

Key rating drivers

Strengths

- **Experienced management and reputed clientele**

The Director, Mr. Behrulal Lalchand Chopra, has experience of over two decades in the food processing industry. He is supported by other directors, including Mr. Mohanlal Lalchand Chopra, Mr. Amitkumar Bherulal Chopra and Mr. Vivek Bherulal Chopra who possess experience of over a decade in the industry. Over the years, the company has developed long standing relations with its clients.

Weaknesses

- **Modest scale of operations**

AFL has modest scale of operations of Rs. 2.98 crore in FY2017 and Rs. 1.14 crore in FY2016. The operating margins (EBITDA) stood at 17.84 percent in FY2017 as against 28.71 percent in FY2016. This is mainly due to increase in the cost of raw materials. Further, the Profit After Tax (PAT) margin declined from 0.95 percent in FY2016 to 0.64 percent in FY2017 mainly due to increase in expenses.

- **Ongoing capital expenditure**

The company has undertaken capital expenditure to manufacture instant noodles, tortilla chips and flavored makhana near Ahmedabad. The total project cost stands at Rs. 35.23 crore to be funded through a term loan of Rs. 15.55 crore from banks, promoter's contribution of Rs. 14.68 crore and subsidies of Rs. 5.00 crore. The project is at a nascent stage with the company having incurred only Rs. 7.04 crore towards purchase of land and construction of building which constitutes ~20 percent of the total cost. SMERA believes that AFL's ability to scale up operations and commence operations on schedule without cost overruns would remain a key rating sensitivity factor.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of AICO Foods Limited to arrive at the rating.

Outlook- Stable

SMERA believes that the outlook of AFL will remain stable owing to the experience of its promoters and reputed clientele. The outlook may be revised to 'Positive' if the company achieves its commercial operations date, leading to healthy cash inflows and improved financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of lower than expected revenues and net cash accruals leading to deterioration in the financial risk profile, particularly liquidity. Further, significant delays in project execution leading to cost and time overruns may also entail a 'Negative' outlook.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	2.98	1.14	2.29
EBITDA	Rs. Cr.	0.53	0.33	0.26
PAT	Rs. Cr.	0.02	0.01	0.01
EBITDA Margin	(%)	17.84	28.71	11.15
PAT Margin	(%)	0.64	0.95	0.59
ROCE	(%)	13.80	9.48	11.42
Total Debt/Tangible Net Worth	Times	0.00	7.71	11.67
PBDIT/Interest	Times	1.29	1.49	1.69
Total Debt/PBDIT	Times	0.00	5.53	10.50
Gross Current Assets (Days)	Days	78	315	330

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smerra.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smerra.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure - Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.00	SMERA B+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	15.55	SMERA B+ / Stable

Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.75	SMERA B+ / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.50	SMERA A4

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