

## Press Release

### Indo Allied Protein Foods Private Limited

October 06, 2022



## Rating Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	50.00	ACUITE BBB   Stable   Upgraded	-
Total Outstanding Quantum (Rs. Cr)	50.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

## Rating Rationale

Acuite has upgraded its long-term rating to '**ACUITE BBB**' (read as **ACUITE triple B**) from '**ACUITE BB+**' (read as **ACUITE double B plus**) on the Rs.50 crore bank facilities of Indo Allied Protein Foods Private Limited. The outlook is '**Stable**'.

### Rationale for Upgrade

The rating assigned to Indo Allied Protein Foods Pvt. Ltd. takes into account experienced management, long-track record of operations, healthy financial risk profile, improvement in operating performance and business synergy benefits to partnership firms. The revenue of the group stood at Rs.984.27 crore in FY2022(provisional) registering a growth of ~61 percent YoY compared to revenue of Rs.609.87 crore in FY2021. The operating profit margin stood at 22.09% in FY2022(provisional) as against to 17.26% in FY2021. The PAT margin stood at 21.99 percent in FY2022(provisional) as against to 17 percent in FY2021. The orders in hand of Rs. 492 crores as on July 2022 provides the revenue visibility for medium term. However, the rating is constrained by working capital intensive nature of operations, susceptibility to fluctuation in food inflation along with high client concentration, tender-based operations and risk of capital withdrawal from partnership firms.

### About Company

Incorporated on December 31, 2003, Indo Allied Protein Foods Pvt. Ltd. (IAPFPL) is engaged in primarily engaged in supplying of food articles such as edible oil, pulses, bay kit, and some other food grains and non-food items such as shoes, safety kit, notebook, etc. to the Maharashtra State Government departments under various schemes. The Mumbai based company also has its own manufacturing facility in Chakan, where it produces ready to cook food like Upama, noodles, etc. further, it also has central kitchen in Bhivandi to supply meals under the state government schemes. The Company is promoted by Mr. Rajan Jadhav and his family members.

### About the Group

Indo Group comprising Indo Allied Protein Foods Private Limited (IAPFPL), Saroj Enterprise and

Shiva Enterprise, is mainly into supply of food and non-food items to the various departments of the Maharashtra State Government either directly or indirectly. While IAPFPL supplies directly to the state government departments, Saroj Enterprise and Shiva Enterprise (partnership firms) supply to private players, who in turn supply to the Maharashtra State Government departments.

## **Analytical Approach**

### **Extent of Consolidation**

- Full Consolidation

### **Rationale for Consolidation or Parent / Group / Govt. Support**

Acuité has consolidated the business and financial risk profiles of Indo Allied Protein Foods Private Limited, Shiva Enterprise and Saroj Enterprise. Together they are referred to as the Indo Group considering their common line of business, common management and significant operational and financial linkages

## **Key Rating Drivers**

### **Strengths**

#### **Experienced management and long-track record of operations**

Indo Group has been present in this industry for over 15 years and is supported by well experienced and qualified management personnel. Mr. Rajan Jadhav, promoter and CEO of the group, has a business experience of more than 3 decades. Long experience of the promoter has helped the group to have supportive strategies in place, which enabled the group to expand its product offering. From being a trader to the various departments of Maharashtra State Government, Indo Group also started supplying manufactured food items such as ready to cook food over the years. The group has been able to get new tenders, thus expanding its customer base for the partnership firms - Saroj Enterprise and Shiva Enterprise.

Acuité believes that experienced management would continue to help the group to generate healthy revenues while maintaining its profitability margins.

#### **Healthy financial risk profile**

Indo Group has moderate financial risk profile marked by strong net worth, healthy gearing and debt protection matrix. The tangible net worth of the group stood at Rs.509.77 crore as on 31 March, 2022 (provisional) as against Rs.275.35 crore as on 31 March, 2021. The gearing level of the group remained low at 0.18 times as on 31 March, 2022 (provisional) as against 0.24 times as on 31 March, 2021. The total debt outstanding of Rs.89.30 crore consists of working capital borrowings of Rs.86.92 crore, unsecured loan from promoters of Rs.1.05 crore and term loan of Rs.1.33 crore as on 31 March, 2022 (provisional). The coverage ratios of the group remained healthy with Interest Coverage Ratio (ICR) of 57.90 times for FY2022(provisional) against 22.46 times for FY2021. Also, the Debt Service Coverage Ratio (DSCR) stood at 51.82 times for FY2022(provisional) against 18.68 times for FY2021. The total outside liabilities to tangible net worth (TOL/TNW) of the group stood low at 0.38 times as on March 31, 2022 (provisional) against 0.88 times as on March 31, 2021. Further, Net Cash Accruals to Total Debt (NCA/TD) stood at 2.42 times for FY2022(provisional) as against 1.58 times for FY2021.

Acuité believes the financial risk profile of the group will remain healthy on account of healthy net cash accruals.

### **Weaknesses**

#### **Working Capital Intensive Nature of operations**

The operations of the group are working capital intensive nature of operations marked by high GCA days of 229 days for FY2022 (provisional) as against 275 days in FY2021. The high GCA days are majorly on account of high debtor days of 175 days for FY2022(provisional) compared against 199 days for FY2021. The average receivable time is 110 days due to lengthy approval process from government for realisation of bills. The inventory days are moderate at 34 days for FY2022(provisional) against 57 days for FY2021. The creditor days of the company stood at 48 days for FY2022 (provisional) as against 84 days for FY2021. The average utilization of the working capital limits of the group remained on the lower side of ~45.29 percent for FY2022.

Acuité believes the group's ability of maintaining its working capital management will remain key credit monitorable.

### **Susceptibility to fluctuation in food inflation and high client concentration**

IAPFPL's profitability is susceptible to fluctuation in food inflation. Any sharp rise in the overall food inflation would hurt the company's profitability and in turn, hurt overall operating performance of Indo Group. Being a tender-based business, there is no scope to pass on any sudden rise in food inflation. Further, the group has high client concentration as its entire business is directly or indirectly relied on the state government of Maharashtra. Thus, any adverse change in policy decision by the state government would have negative implications on Indo Group's entire business.

### **Tender-based business operations and risk of capital withdrawal from partnership firms**

Business of IAPFPL is based on tender orders floated by departments of the State of Maharashtra. Therefore, the group's revenue is directly linked to the successful bidding of orders amidst high competitive intensity. High competitive intensity also impacts the pricing power of players. Further, Saroj Enterprise and Shiva Enterprise being partnership firms, there is a risk of capital withdrawal.

### **Rating Sensitivities**

- Elongation of working capital cycle
- Sharp rise in food inflation

### **Material Covenants**

None

### **Liquidity Position: Adequate**

Indo Group has adequate liquidity position marked by adequate net cash accruals against its maturing debt obligations. The group generated cash accruals of Rs.216.48 crore in FY2022 (provisional) compared against maturing debt obligations of Rs.0.15 crore over the same period. The cash accruals of the company are estimated to remain around Rs.217.98-224.32 crore during 2023-25 against no significant maturing debt obligations. The average utilization of the working capital limits of the group remained on the lower side of ~45.29 percent for FY2022. Furthermore, the company maintains unencumbered cash and bank balances of Rs.0.28 crore as on March 31, 2022(provisional) and the current ratio also stood at 3.35 times as on March 31, 2022.

### **Outlook: Stable**

Acuité believes that Indo Group would maintain 'Stable' outlook on the back of experienced management, long track record of operations, healthy financial risk profile and improved operating performance. The outlook may be revised to 'Positive' in case the company reports higher-than-expected growth in revenue and improvement in profits. Conversely, the outlook

may be revised to 'Negative' in case the company reports lower-than-expected improvement in growth and in profitability, thereby deteriorating financial risk profile and liquidity position

### Other Factors affecting Rating

None

### Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	984.27	609.87
PAT	Rs. Cr.	216.48	103.68
PAT Margin	(%)	21.99	17.00
Total Debt/Tangible Net Worth	Times	0.18	0.24
PBDIT/Interest	Times	57.90	22.46

### Status of non-cooperation with previous CRA (if applicable)

None

### Any Other Information

None

### Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Trading Entity: <https://www.acuite.in/view-rating-criteria-61.htm>

### Note on Complexity Levels of the Rated Instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

### Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
15 Jun 2022	Proposed Bank Facility	Long Term	10.00	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	40.00	ACUITE BB+ (Downgraded and Issuer not co-operating*)
23 Mar 2021	Cash Credit	Long Term	40.00	ACUITE BBB-   Stable (Assigned)
	Proposed Bank Facility	Long Term	10.00	ACUITE BBB-   Stable (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Janata Sahakari Bank Ltd (Pune)	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	40.00	ACUITE BBB   Stable   Upgraded ( from ACUITE BB+ )
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB   Stable   Upgraded ( from ACUITE BB+ )

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### About Acuité Ratings & Research

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