



Press Release
Indo Allied Protein Foods Private Limited
April 03, 2024

Rating Assigned and Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	25.00	ACUITE BBB Stable Assigned	-
Bank Loan Ratings	49.20	ACUITE BBB Stable Upgraded	-
Bank Loan Ratings	0.80	-	ACUITE A3+ Upgraded
Total Outstanding Quantum (Rs. Cr)	75.00	-	-

Rating Rationale

Acuite has upgraded its long-term rating to '**ACUITE BBB**' (read as **ACUITE t riple B**) from '**ACUITE BB+**' (read as **ACUITE double B plus**) and short-term rating to '**ACUITE A3+**' (read as **ACUITE A three plus**) on the Rs.50 crore bank facilities of Indo Allied Protein Foods Private Limited. The outlook is '**Stable**'.

Acuite also has assigned its long-term rating of '**ACUITE BBB**' (read as **ACUITE t riple B**) on the additional Rs. 25 Cr. bank facilities of Indo Allied Protein Foods Private Limited. The outlook is '**Stable**'.

Rationale for rating upgrade and assigned:

The rating upgrade and assigned considers experienced management, long-track record of operations, healthy financial risk profile, improvement in operating performance and business synergy benefits to partnership firms. The group has reported revenue of Rs.1293.78 Cr. in FY23 registering a growth rate of 38 percent over FY22 revenue of Rs.968.32 Cr. supported by healthy order flow during last 2 years and further registered revenue of Rs.2062.55 Cr. till December 31, 2023. Revenue of the group is further expected to improve over the medium term owing to its healthy orders in hand of Rs.1,505 Cr. as on December, 2023. The operating profit margin is stable at 20.38 percent in FY23 and expected to remain stable over the 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.

Unsupported Rating

Not Applicable

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.

Improving operations backed by healthy orders.

The group's revenue has grown at a compounded annual growth rate of ~23 percent over the past three years on account of healthy orders from Maharashtra government under various welfare schemes. (The group has to offer bank guarantee/deposits equivalent to 3 per cent of orders. Typical tenure of bank guarantee/s is 1.5-2 years and are renewed if required). The group has reported revenue of Rs.1293.78 Cr. in FY23 registering a growth rate of 38 percent over FY22 revenue of Rs.968.32 Cr. and further registered revenue of Rs.2062.55 Cr. till December 31, 2023. Increase in revenue is majorly on account of healthy orders. However, EBITDA margin has marginally declined yet healthy at 20.38 percent in FY23 against 22.83 percent of FY22.

Acuite believes that operations of the group will improve over the medium term on account of healthy order book.

Healthy financial risk profile:

Financial risk profile of the group is healthy marked by comfortable net worth, capital structure and debt protection metrics. Group's net worth improve to Rs. 552.08 Cr. as on March 31, 2023 from Rs. 445.20 Cr. as on March 31, 2022 despite the withdrawal of capital worth Rs.113

Cr. owing to the healthy profits registered by the group in FY23. Indo allied group's capital structure is comfortable marked with healthy gearing and total outside liabilities to total net worth (TOL/TNW) of 0.22 times and 0.69 times respectively as on March 31, 2023 as against 0.17 times and 0.51 times as on March 31, 2022. The coverage indicators were healthy with DSCR of 36.91 times as on March 31st 2023 as against 57.61 times as on March 31st 2022. Interest coverage stood at 48.08 times as on March 31st 2023 as against 71.56 times as on March 31st 2022. Debt to EBITDA is continued to remain healthy at 0.44 times during FY23 from 0.31 times during previous year.

Acuite believes that the financial risk profile of the company will remain comfortable for FY24 as well on account of healthy net worth position.

Weaknesses

Moderate intensive working capital operations:

Working capital operations of the group are moderately intensive marked by GCA days of 196 days for FY23 as against 209 days in FY22. The high GCA days are majorly on account of elongated debtor days in FY23. The group undertakes government welfare order where the payment is usually delayed resulting in elongated debtor days at 138 days for FY23. The creditor days of the group stood at 75 days for FY23 for FY23. The average utilization of the working capital limits of the group remained on the lower side of ~13 percent for past 12 months ending November 2023. Acuite believes the group's ability of maintaining its working capital management will remain key credit monitor able.

Susceptibility to fluctuation in food inflation and high client concentration

The group's outstanding order book also includes large amount of orders for supply of food items which exposes the profitability of the group 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 leading to deterioration in profitability.

Liquidity Position: Strong

Indo allied group's liquidity position is strong which is evident from sufficient net cash accruals (NCA) against the debt repayment obligations. The group has reported Net Cash Accruals (NCA's) of Rs.231.35 Cr. on March 31, 2023 against minuscule debt repayment obligations of Rs. 6.06Cr. The cash accruals are estimated to remain in the range of Rs.290-330 Cr. in the medium term against expected debt repayment range of Rs.3.40-3.50 Cr. for the same period.

The group has healthy unencumbered cash and bank balances of Rs.29.30 Cr. as on March 31, 2023 providing additional comfort towards liquidity. Healthy cash balances have led to

low reliance on the fund based working capital limits which were utilized in the range of ~13 percent during the past 12 months ending November, 2023. Besides current ratio of the group stood at 2.23 times as on March 31, 2023. Acuite believes that liquidity position of the group will remain strong in the medium term on account of sufficient NCA.

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 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	1293.78	968.32
PAT	Rs. Cr.	220.76	196.47
PAT Margin	(%)	17.06	20.29
Total Debt/Tangible Net Worth	Times	0.22	0.17
PBDIT/Interest	Times	48.08	71.56

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

Not Applicable

Any Other Information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Complexity Level Of Financial Instruments: <https://www.acuite.in/view-rating-criteria-55.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entitie: <https://www.acuite.in/view-rating-criteria-61.htm>

Note on Complexity Levels of the Rated Instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
26 Dec 2023	Cash Credit	Long Term	40.00	ACUITE BB+ Not Applicable (Downgraded & Issuer not co-operating*)
	Proposed Long Term Bank Facility	Long Term	10.00	ACUITE BB+ Not Applicable (Downgraded & Issuer not co-operating*)
06 Oct 2022	Cash Credit	Long Term	40.00	ACUITE BBB Stable (Upgraded from ACUITE BB+ Not Applicable)
	Proposed Long Term Bank Facility	Long Term	10.00	ACUITE BBB Stable (Upgraded from ACUITE BB+ Not Applicable)
15 Jun 2022	Cash Credit	Long Term	40.00	ACUITE BB+ Not Applicable (Downgraded & Issuer not co-operating*)
	Proposed Long Term Bank Facility	Long Term	10.00	ACUITE BB+ Not Applicable (Downgraded & Issuer not co-operating*)
23 Mar 2021	Cash Credit	Long Term	40.00	ACUITE BBB- Stable (Assigned)
	Proposed Long Term 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	Complexity Level	Quantum (Rs. Cr.)	Rating
Janata Sahakari Bank Ltd (Pune)	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.80	ACUITE A3+ Upgraded
Janata Sahakari Bank Ltd (Pune)	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	40.00	ACUITE BBB Stable Upgraded (from ACUITE BB+)
Bank of Maharashtra	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	25.00	ACUITE BBB Stable Assigned
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	9.20	ACUITE BBB Stable Upgraded (from ACUITE BB+)

*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)

- Indo Allied Protein Foods Private Limited
- Shiva Enterprise
- Saroj Enterprise

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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