

## Press Release

### AFP Manufacturing Co Private Limited

August 16, 2022



## Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	73.00	ACUITE BBB-   Stable   Assigned	-
Total Outstanding Quantum (Rs. Cr)	73.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

## Rating Rationale

Acuite has assigned the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs.73.00 Cr. of AFP Manufacturing Co. Private Limited (AFP). The outlook is '**Stable**'.

## About the Company

Delhi based AFP Manufacturing Co. Private Limited was established in 1982 as a partnership firm and subsequently changed its constitution to private limited company in 1999. The company is engaged in manufacturing of salted snacks (namkeen) and other ready-to-eat snacks, potato chips, namkeen and bhujia among others with the combined installed capacity of 36000 MT per month. Currently the company is promoted by Mr. Anil Aggarwal, Mr. Puneet Aggarwal and Mr Ravindra Singh. The company mainly works as a contract manufacturer of PepsiCo for manufacturing and packaging of 'Kurkure' since 2016. The company also has its own brand 'Munchhonn' for fried and non-fried snacks.

## Analytical Approach

Acuite has considered the standalone business and financial risk profile of AFP while arriving at the rating.

## Key Rating Drivers

### Strengths

#### Experienced Management and long track record of operation

AFP, established in 1982 by Mr. Anil Kumar Gupta has four decades of experience in the said line of business. He is also supported by Mr. Puneet Agarwal and Mr. Ravindra Singh, who also has more than a decade of industry experience. Acuite believes that the company will be benefited over the medium term on the back of established track record and experienced management.

### **Established relationship with the key principal; PepsiCo**

AFP is one of the contract manufacturers of “Kurkure” for PepsiCo India Holdings Pvt. Ltd (PepsiCo). PepsiCo has been working with AFP since 2011. Initially AFP was involved in manufacturing and packaging of ‘Lehar’ namkeens and started Kurkure line from 2016 onwards. PepsiCo and AFP have signed a ten year agreement for processing and packaging of ‘Kurkure’. Currently, PepsiCo has further provided a Letter of Intent to AFP for an additional capacity of 900MT per month with a minimum order quantity of 500MT per month from first quarter of FY23.

### **Healthy scale of operation**

The revenue of the company has increased to Rs.193.26 crore in FY2022 (Prov.) as compared to Rs.161.12 crore in the previous year. This increase in revenue is due to the overall increase in capacity utilization along with increase in realisation per unit. Going forward, Acuité believes the revenue of the company will increase significantly backed by increase in the capacity for ‘Kurkure Line’ by 10000 MT per month and ‘Munchhonn Line’ by 6000 MT per month. The company has increased the overall capacity for its own brand by introducing new variant in potato chips segment and also entered into a new agreement with PepsiCo for Kurkure.

### **Weaknesses**

#### **Moderate profitability margin**

The operating profitability margin of the company stood moderate at 6.62 per cent in FY2022 (Prov.) as compared to 7.20 per cent in the previous year. This deterioration in operating profitability is on account of increase in raw material price along with increase in overhead expenses during FY2022. Going forward, Acuité believes profitability margin of the company will increase on account of strong association and steady order flow from PepsiCo.

The net profitability margin of the company stood moderate at 2.14 per cent in FY2022 (Prov.) as compared to 1.75 per cent in the previous year.

#### **Average financial risk profile**

The financial risk profile of the company is marked by moderate net worth, high gearing and comfortable debt protection metrics. The net worth of the company stood moderate at Rs.31.48 crore in FY 2022 (Prov.) as compared to Rs. 31.15 crore in FY2021. The gearing of the company stood high at 2.18 times as on March 31, 2022 (Prov.) when compared to 1.38 times as on March 31, 2021. This increase in gearing is on account of increase in long term debt during FY2022. Interest coverage ratio (ICR) of the company stood healthy at 4.90 times in FY2022 (Prov.) as against 3.05 times in FY 2021. The debt service coverage ratio (DSCR) of the company stood comfortable at 1.41 times in FY2022 (Prov.) as compared to 1.18 times in the previous year. The net cash accruals to total debt (NCA/TD) stood at 0.13 times in FY2022 (Prov.) as compared to 0.16 times in FY2021. Going forward, Acuité believes the financial risk profile of the company will improve on account of increase in net cash accruals and no major debt funded capex plan over the near term.

### **Rating Sensitivities**

- Scaling up of operations while maintaining their profitability margin
- Further deterioration in capital structure
- Working capital management

### **Material covenants**

None

### **Liquidity Position Adequate**

The company has adequate liquidity position marked by comfortable net cash accruals of

Rs.8.87 crore as against Rs.5.52 crore of long term debt obligations in FY2022 (Prov.). The cash accruals of the company are estimated to remain in the range of around Rs. 11.72 crore to Rs.15.06 crore during 2023-24 as against of Rs.6.75 crore in FY23 and Rs.10.67 crore in FY24 of long term debt obligations. The bank limit of the company has been ~81 percent utilized during the last six months ended in June 2022. The current ratio of the company stood low at 1.13 times in FY2022 (Prov.). The Gross Current Asset (GCA) days of the company stood comfortable at 103 days in FY2022 (Prov.). Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy cash accruals against long debt repayments over the medium term.

### Outlook- Stable

Acuité believes that the outlook on the company will remain 'Stable' over the medium term on account of the established track record of operations, experienced management and strong association with PepsiCo. The outlook may be revised to 'Positive' in case of significant growth in revenue or operating margins from the current levels while improving its financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of a significant increase in the gearing levels or further deterioration in the working capital cycle.

### Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	193.26	161.12
PAT	Rs. Cr.	4.14	2.83
PAT Margin	(%)	2.14	1.75
Total Debt/Tangible Net Worth	Times	2.18	1.38
PBDIT/Interest	Times	4.90	3.05

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

Not Applicable

### Any other information

None

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector - <https://www.acuite.in/view-rating-criteria-59.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

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

### Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE BBB-   Stable   Assigned
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.50	ACUITE BBB-   Stable   Assigned

Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	20.28	ACUITE BBB-   Stable   Assigned
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	30.47	ACUITE BBB-   Stable   Assigned
State Bank of India	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	4.75	ACUITE BBB-   Stable   Assigned

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### About Acuité Ratings & Research

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