



**Press Release**  
**AFP Manufacturing Co Private Limited**  
**January 31, 2024**  
**Rating Reaffirmed & Partly Withdrawn**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	25.47	ACUITE BB+   Reaffirmed & Withdrawn	-
Bank Loan Ratings	64.53	ACUITE BB+   Stable   Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	64.53	-	-
Total Withdrawn Quantum (Rs. Cr)	25.47	-	-

**Rating Rationale**

Acuite has reaffirmed its long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) on the Rs.64.53 Cr. bank facilities of AFP Manufacturing Co. Private Limited (AMCPL). The outlook remains '**Stable**'.

Acuite has reaffirmed and withdrawn it's long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) on the Rs.25.47 Cr. bank facilities of AFP Manufacturing Co. Private Limited (AMCPL). The rating withdrawal is in accordance with Acuite's policy on withdrawal of ratings as applicable to the respected facility/ instrument. The rating is being withdrawn on account of request received from the company.

**Rationale for Rating Reaffirmation**

The rating action takes into account improved scale of operations, Improved gearing position and strong customer clientele. However these strengths are underpinned by low coverage indicators, Stretched liquidity and dip in PAT Margin. Company reported growth in revenue from operations by ~26% in FY2023 to Rs 242.78 crore as against Rs. 193.34 crore for FY2022. Gearing of the company improved to 1.76 times in FY 23 as against 2.44 times in FY 22. Operating Profit Margin of company stood at 7.22% in FY2023 as against 5.60% in FY2022.

Interest coverage ratio decreased by 151 bps and stood comfortable at 2.58 times for FY2023 as against 4.09 times in FY2022. Deterioration in Interest coverage ratio is on account of higher interest cost in FY 23 in comparison to FY 22(due to debt funded capex). Likewise, Debt Service coverage ratio decreased by 10 bps and stood at below unity at 0.98 times for FY2023 as against 1.08 times in FY2022.

Acuite believes that the Company's ability to grow its scale of operations and profitability while maintaining a healthy capital structure with improvement in working capital operations remains a key rating indicator.

**About the Company**

AFP Manufacturing Co. Private Limited (AMCPL) was established in 1982, as a partnership firm named Aggarwal Food Products. The constitution was later on changed to private limited company in 1999. The company is managed by Mr. Anil Aggarwal, Mr. Puneet Aggarwal and Mr Ravindra Singh. AMCPL is engaged in the manufacturing of salted snacks (namkeen) and other ready-to-eat snacks, potato chips, namkeens and bhujia among others. The company has three units in Hajipur (Bihar) with combined capacity of 34400 MT Per Annum. The company has its own brand 'Munchhonn' and also works as a contract manufacturer of

PepsiCo for manufacturing and packaging of 'Kurkure'.

## Unsupported Rating

Not Applicable

## Analytical Approach

Acuité has considered the standalone business and financial risk profile of AMCPL while arriving at the rating.

## Key Rating Drivers

### Strengths

#### **Long track record of operations coupled with long-term association with reputed clientele**

The company has a lengthy operational history spanning over four decades and has built strong ties with the reputed clientele, PepsiCo. AMCPL is a contract manufacturer of Kurkure for PepsiCo India Holdings Pvt. Ltd. Since 2011, the company has collaborated with PepsiCo. AMCPL started off making and packaging 'Lehar' namkeens before launching the Kurkure range in 2016. A ten-year agreement for the processing and packaging of "Kurkure" has been inked between PepsiCo and AFP. Mr. The company is headed by Anil Kumar Gupta, who has over 40 years of expertise in the same field of work. Also, Mr. Puneet Agarwal and Mr. Ravindra Singh, who have more than ten years of expertise in the field provides further assistance to the company. Acuite believes that AMCPL will continue to be benefited over the medium term on the back of established track record, experienced management and long term agreements with the reputed clientele.

### Business risk profile

AMCPL's Operating income witnessed improvement which is apparent from growth in revenue from operations by ~26% in FY2023 to Rs 242.78 crore as against Rs. 193.34 crore for FY2022 (~51 percent from FY 21 to FY 23). Operating Profit Margin of company stood at 7.22% in FY2023 as against 5.60% in FY2022. Net profit margin of the company went down and stood at 0.99 percent in FY2023 as against 1.54 percent in FY 22 due to substantial increase in depreciation and interest cost on account of capital expenditure incurred in FY 22 however NCA margin increased to 4.42 percent in FY 23 from 3.21 percent in FY 22. ROCE of the company stood at 8.17 percent in FY2023. Company has achieved operating income of Rs ~120 crore in H1FY 24. Increase in operating income in FY 23 is on account of increase in volume and Prices. Volume sale increased by ~18 percent while the average price increased by ~12 percent in FY 23.

### Efficient Working capital operations

Company has efficient working capital management as evident from gross current assets (GCA) of 98 days in FY2023 as compared to 92 days in FY2022. Inventory days stood at 60 days in FY 23 (40 days in FY22). Debtor days stood at 27 days in FY2023 as against 31 days in FY 22.

### Weaknesses

#### **Below Average Financial Risk Profile**

Company has below average financial risk profile marked by moderate net worth, low coverage indicators and moderate gearing. The total tangible net worth stood at Rs. 43.90 Cr as on 31st March 2023 as against Rs. 30.92 Cr a year earlier. Increase in net worth is on account of Profit accretion and USLs treated as quasi equity. Company follows moderate leverage policy marked by its moderate gearing. Debt to Equity ratio improved and stood at 1.76 times in FY 2023 as against 2.44 times in FY 22. Improvement in gearing is on account of increase in Net Worth. Gearing is expected to improve in near medium term.

Interest coverage ratio decreased by 151 bps and stood comfortable at 2.58 times for FY2023 as against 4.09 times in FY2022. Deterioration in Interest coverage ratio is on account of higher interest cost in FY 23 in comparison to FY 22(due to debt funded capex). Likewise, Debt Service coverage ratio decreased by 10 bps and stood at below unity at 0.98 times for FY2023 as against 1.08 times in FY2022.

Total outside liabilities to total net worth (TOL/TNW) stood at 2.26 times as on FY2023 vis-à-vis 2.98 times as on FY2022. Debt-EBITDA improved and stood at 4.37 times as on 31st March 2023 as against 6.86 times as on 31st March 2022 (on account of USLs treated as quasi equity in FY 23). The Net Cash Accruals to Total debt stood at 0.14 times as on FY2023 and 0.08 times for FY2022.

### **Moderate profitability margins**

The PAT margin of the company declined to 0.99 per cent in FY2023 as compared to 1.54 per cent in FY2022. The deterioration is on account of rise in the interest costs and depreciation cost owing to the capex undertaken over the same period. On absolute levels, the company's profit after tax declined and stood at Rs.2.41 Cr. in FY2023 compared to Rs.2.99 Cr. in FY2022. However, the operating margin of the company improved to 7.22 per cent in FY2023 as compared to 5.60 per cent in the previous year. Acuite believes that, going forward, improvement in the profitability margins will be key monitorable. The PAT margin of the company declined to 0.99 per cent in FY2023 as compared to 1.54 per cent in FY2022. The deterioration is on account of rise in the interest costs and depreciation cost owing to the capex undertaken over the same period. On absolute levels, the company's profit after tax declined and stood at Rs.2.41 Cr. in FY2023 compared to Rs.2.99 Cr. in FY2022. However, the operating margin of the company improved to 7.22 per cent in FY2023 as compared to 5.60 per cent in the previous year. Acuite believes that, going forward, improvement in the profitability margins will be key monitorable.

### **Rating Sensitivities**

Growth in scale of operations while improving the profitability margins  
Any deterioration in the financial risk profile  
Improvement in the liquidity position

### **Liquidity Position**

#### **Stretched**

Company has stretched liquidity marked by low net cash accruals to its maturing debt obligations, low current ratio and Cash and bank balance. Company generated cash accruals of Rs. 10.73 crore for FY2023 as against obligations of Rs. 11.07 crore for the same period. However, this gap was met by support from promoter in the form of USL. Current Ratio stood at 1.05 times as on 31 March 2023 as against 1.11 times in the previous year. Working capital limits are utilized at ~ 61 per cent while the non-fund based working capital limits are utilized at ~89 percent during the last six months ended November 23. Cash and Bank Balances of company stood at Rs 0.19 crore.

### **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 and profitability margins from the current levels while improving its financial risk profile and liquidity position. Conversely, the outlook may be revised to 'Negative' in case of further deterioration in the financial risk profile or further deterioration in the liquidity profile.

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	242.78	193.34
PAT	Rs. Cr.	2.41	2.99
PAT Margin	(%)	0.99	1.54
Total Debt/Tangible Net Worth	Times	1.76	2.44
PBDIT/Interest	Times	2.58	4.09

### 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>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.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](http://www.acuite.in)

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
06 Jul 2023	Term Loan	Long Term	34.95	ACUITE BB+   Stable (Downgraded from ACUITE BBB-   Stable)
	Proposed Bank Facility	Long Term	0.91	ACUITE BB+   Stable (Downgraded from ACUITE BBB-   Stable)
	Proposed Long Term Loan	Long Term	2.64	ACUITE BB+   Stable (Downgraded from ACUITE BBB-   Stable)
	Term Loan	Long Term	17.00	ACUITE BB+   Stable (Downgraded from ACUITE BBB-   Stable)
	Cash Credit	Long Term	17.00	ACUITE BB+   Stable (Assigned)
	Cash Credit	Long Term	17.50	ACUITE BB+   Stable (Downgraded from ACUITE BBB-   Stable)
16 Aug 2022	Working Capital Demand Loan	Long Term	4.75	ACUITE BBB-   Stable (Assigned)
	Cash Credit	Long Term	12.00	ACUITE BBB-   Stable (Assigned)
	Cash Credit	Long Term	5.50	ACUITE BBB-   Stable (Assigned)
	Proposed Bank Facility	Long Term	20.28	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	30.47	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
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	17.50	ACUITE BB+   Stable   Reaffirmed
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	17.00	ACUITE BB+   Stable   Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.91	ACUITE BB+   Stable   Reaffirmed
Union Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Mar 2029	Simple	2.64	ACUITE BB+   Stable   Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Jun 2028	Simple	23.46	ACUITE BB+   Stable   Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Jun 2028	Simple	8.47	ACUITE BB+   Reaffirmed & Withdrawn
Bajaj Finance Ltd.	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	05 Jun 2023	Simple	17.00	ACUITE BB+   Reaffirmed & Withdrawn
State Bank of India	Not avl. / Not appl.	Working Capital Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	06 Nov 2025	Simple	1.80	ACUITE BB+   Stable   Reaffirmed
State Bank of India	Not avl. / Not appl.	Working Capital Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	07 Sep 2024	Simple	1.22	ACUITE BB+   Stable   Reaffirmed



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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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