



Press Release

Cremica Food Industries Limited (CFIL)

February 19, 2024

Ratings:

Instrument / Facility	Amount (INR Crore)	Ratings	Rating Action	Complexity Indicator
Long term fund-based bank facility - Term Loan	7.00	IVR BBB-/ Stable (IVR Triple B minus with stable outlook)	Assigned	Simple
Long term fund-based bank facility - Cash Credit	30.00	IVR BBB-/ Stable (IVR Triple B minus with stable outlook)	Assigned	Simple
Short term non-fund-based bank facility - Letter of Credit	8.00	IVR A3 (IVR A three)	Assigned	Simple
Total	45.00	Rupees forty-five crore only		

Details of facilities are in annexure 1

Detailed rationale:

The rating assigned to the bank facilities of Cremica Food Industries Limited (CFIL) derives strength from experienced promoter and management, diversified product portfolio, cutting edge technology and strong relationship with reputed clients, growing scale of operations with improving profitability and modest debt protection metrics.

The rating however is constrained by moderate capital structure, exposure to intense competition, susceptibility to seasonal availability and volatility in raw material prices.



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Key rating sensitivities (on a consolidated basis):

Upward factors:

- Continuous growth in the operating income and maintaining the EBITDA margin above 7% leading to improvement in debt protection metrics.
- Penetration of its product distribution to the south Indian market thereby increasing the geographical presence.

Downward factors:

- Deterioration in the financial risk profile due lower demand from hotels, restaurants and café segment, thereby leading to reduction in the EBITDA margin below 7%.

Key rating drivers with detailed description

Key rating strengths:

Experienced promoter & management:

Cremica Food Industries Limited (CFIL) was incorporated in the year 2013. The company is promoted by Mr. Akshay Bector (Managing Director and Chairman) who is having an experience of 32 years and is coming from Bectors Family that owns Cremica Group (started by Ms. Rajni Bector). The promoter is assisted by a team of professionals, having significant experience and knowledge in this industry.

Diversified product Portfolio:

CFIL has well diversified product portfolio and is not dependent on any single product. Thus, minimizing the risk of product concentration. CFIL is a leading manufacturer of premium quality condiments like tomato ketchup, sauces, mayonnaise, sandwich spreads, toppings, salad dressings, Indian snacks dips, fruit fillings for cakes and pastries and operates under an iconic brand name 'Cremica' for retail and food service providers which includes QSRs, Hotels, Restaurants; and Kettle chips under the brand name 'Opera'. The sales of Mayonnaise consist of 51% of total sales in FY23, followed by Ketchup (19%), Sauces (13%), Others (Including Opera Chips) (10%) and Snack Dressing (7%). CFPPL (wholly-owned subsidiary of CFIL) is set up to process fruits and vegetables and established to provide various utility facility



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services for other units established in mega food park. CFIL has annual requirement of around 3,000 tons of tomato paste, which is one of the key raw materials. Earlier tomato paste was procured from south region of India and from US which used to result in high logistic and handling cost. Now company will benefit from lower logistic and handling cost due to location advantage of its subsidiary CFPPL. Currently CFPPL is producing around 3,000 tons of tomato paste which has installed capacity of 7,000 tons per annum.

Cutting edge technology and strong relationship with reputed clients:

The company has been using technology and machinery imported from Italy which helps to deliver the best quality products and maintain high standard colour in liquid condiments. CFIL has more than 3 decades of relationship with branded QSRs like McDonald's (Since 1991) and over five-year relationship with the customers like: Subway, Domino's Pizza, YUM and more than 3 years' relationship with La Pinoz Pizza.

Growing scale of operations with improving profitability and modest debt protection metrics:

CFIL has been able to grow its operating income significantly by 27% CAGR over past 2 years from Rs.191.00 crore during FY21 to Rs.307.89 crore in FY23 after a substantial decline in FY21 due to Covid 19 disruption and subsequent lockdowns. EBITDA margins has improved to 6.84% in FY23 (FY22: 6.19%). The debt protection metrics improved in FY23 (from FY22) and stood modest with the interest coverage at 2.41 times (1.75 times), Total Debt/EBITDA at 3.77 times (5.20 times) and Total Debt/GCA at 5.64 times (6.50 times).

Key rating weaknesses:

Moderate capital structure:

The capital structure of the company stood moderate with overall gearing at 1.59 time in FY23 (In FY 22: 1.69 times). The TOL/TNW stands at 3.35 times in FY23 (3.50 times).

Exposure to intense competition:



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The food processing industry is very competitive with a large number of established organized players and their growing network, thereby impacting its profitability and debt servicing ability. The company has to maintain the quality and pricing power in order to sustain.

Susceptibility to regulatory risks, climatic changes and volatility in raw material prices:

The food processing industry is regulated by several policies and bodies in terms of pricing, quality control, safety and health standards, and several other certifications and control standards. Thus, regular investment in the workforce and infrastructure is needed to conduct the business efficiently. Also, the major raw materials like soya bean, tomato, potato are frequently impacted by climate changes and price volatility, which can significantly impact the company business as a whole.

Analytical approach: Consolidated

For arriving at the rating, Infomerics has taken the consolidated approach by combining financial profiles of Cremica Food Industries Limited (CFIL), Cremica Food Park Private Limited (CFPPL). The consolidation is on account of common management, legal linkages, and significant operational linkages. Cremica Food Park Private Limited is a 100% subsidiary of Cremica Food Industries Limited. Cremica Food Industries Limited has given a corporate guarantee on behalf of Cremica Food Park Private Limited.

Applicable criteria:

[Rating Methodology for Manufacturing Companies](#)

[Rating criteria for Consolidation of Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria of assigning Rating Outlook](#)

Liquidity- Adequate



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The company is expected to generate sufficient cash accruals viz a via repayment obligation. Though the current ratio and quick ratio are below unity, The average working capital utilization is moderate at 90.93% for the past 12 months ending December 2023. The operating cycle is comfortable at 16 days in FY23.

About the company:

Cremica Food Industries Limited (CFIL) was established in 2013. CFIL is a leading manufacturer of premium quality condiments, tomato ketchup, sauces, mayonnaise, sandwich spreads, toppings, salad dressings, Indian snacks dips, fruit fillings for cakes and pastries. The company is promoted by Mr. Akshay Bector (Managing Director and Chairman) who is having an experience of 32 years and is coming from Bectors Family that owns Cremica Group. The manufacturing plants are located in Punjab and Noida having a production capacity of 146MT/day and 10MT/day respectively.

Financials:

Consolidated

For the year ended / INR Crore*	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	248.05	307.89
EBITDA	15.36	21.07
PAT	0.48	2.75
Total Debt	79.90	79.41
Tangible Net Worth	47.21	50.04
Ratios		
EBIDTA Margin (%)	6.19	6.84
PAT Margin (%)	0.19	0.89
Overall Gearing Ratio (x)	1.69	1.59

**Classification as per Infomerics' standards*

Standalone:

For the year ended / INR Crore*	31-03-2022	31-03-2023
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	Audited	Audited
Total Operating Income	233.54	297.94
EBITDA	2.60	14.71
PAT	0.19	7.09
Total Debt	46.30	48.60
Tangible Net Worth	47.15	54.31
Ratios		
EBIDTA Margin (%)	1.12	4.94
PAT Margin (%)	0.08	2.36
Overall Gearing Ratio (x)	0.98	0.89

**Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: Nil

Any other information: Not applicable

Rating history for last three years:

Sr. No.	Name of Instrument /Facilities	Current ratings (Year 2023-24)			Rating history for the past 3 years		
		Type	Amount outstanding (INR Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Long term fund-based bank facility - Term Loan	Long term	7.00	IVR BBB-/ Stable	-	-	-
2.	Long term fund-based bank facility	Long term	30.00	IVR BBB-/ Stable	-	-	-



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	- Cash Credit						
3	Short term non-fund-based bank facility - Letter of Credit	Short term	8.00	IVR A3			

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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Annexure 1: Details of Facilities:

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
Long term fund-based bank facility - Term Loan	-	-	-	7.00	IVR BBB-/Stable
Long term fund-based bank facility - OCC	-	-	-	30.00	IVR BBB-/Stable
Short term non-fund-based bank facility - Letter of Credit	-	-	-	8.00	IVR A3

Annexure 2: List of companies considered for consolidated analysis:



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Name of the Company	Extent of Consolidation
Cremica Food Industries Limited	Full*
Cremica Food Park Private Limited	Full*

**Intercompany transactions have been adjusted*

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-Cremica-feb24.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com