



Press Release

Kamco Chew Food Private Limited (KCFPL)

February 06, 2024

Ratings:

Instrument / Facility	Amount (Rs crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	56.68	IVR BBB- / Stable (IVR Triple B minus with Stable Outlook)	Assigned	Simple
Short Term Bank Facilities	3.50	IVR A3 (IVR A Three)	Assigned	Simple
Total	60.18 (Sixty crore and Eighteen Lakh only)			

Details of Facilities are in Annexure 1

Detailed Rationale:

The ratings assigned to the bank facilities of Kamco Chew Food Private Limited continue to derive strength from its experienced promoters with long track record of operations, well established sales network for the company and strong financial risk profile. However, the rating strengths are partially offset by intense competition in confectionary industry and susceptibility to maintaining quality of products and government regulations.

Key Rating Sensitivities:

Upward Factors:

- Substantial improvement in revenue and/or profitability margins leading to sustained improvement in debt coverage indicators may lead to a positive rating action.

Downward Factors:

- Any deterioration in revenue and/or profitability margin leading to deterioration in debt coverage indicators may lead to a negative rating action.



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Key Rating Drivers with detailed description:

Experienced promoters with long track record of operations

Mr. Girish Wadhwani & Mr. Kartar Singh, have an experience of around 17 years & 18 years respectively in this industry. Mr. Kartar looks after the production and Mr. Girish looks after the Marketing of the company. Their experience has helped the company to achieve growth of the company.

Well established sales network for the company

The company has developed an effective supply chain and distribution network through its distributors, and retailers across the geography. The Company has a distribution network of close to 5000 distributors who are covering approximately 25 states in India. As well as it operates in countries like Dubai, Saudi Arabia, Mauritius, Nepal & Israel.

Strong financial risk profile:

Estimated networth of Rs 97.81 crore as on March 31, 2023 supports capital structure as overall gearing stood at 0.73x as on March 31, 2023 and TOL/TNW stood at 1.38x as on March 31, 2023. Debt protection metrics is moderate with interest coverage at 5.68x as on March 31, 2023, and DSCR at 1.62x as on March 31, 2023. In the absence of further large, debt-funded capex, financial risk profile is expected to remain comfortable.

B. Key Rating Weaknesses

Intense competition in confectionary industry

Large local and regional players have also mushroomed across the country making it more competitive at the regional levels. Hence, the biggest challenge for the industry players would be retaining and growing not only their regional presence, but also strategizing to become a national level player by maintaining its quality and sales volume.

Susceptibility to maintaining quality of products and government regulations.

The packaged food industry is regulated by Food Safety and Standards Authority of India (FSSAI) to ensure the quality specifications and packaging of the products. Any failure/nonadherence in terms of quality specification laid down by FSSAI will have penal implications as also a negative impact on the overall brand image of the player. Furthermore,



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any adverse change in policy by FSSAI may also impact the performance of the players in the industry.

Analytical Approach: Standalone

Applicable Criteria:

[Criteria of assigning Rating Outlook](#)

[Rating Methodology for Manufacturing Companies](#)

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

Liquidity – Adequate

The Company had a comfortable current ratio of 1.50x on March 31, 2023, The average utilisation of working capital limits was moderate at around 89% for the 12 months ended December 2023. No capex is planned for FY24-26. The overall liquidity of the company is Adequate.

About the Company

Kamco Chew Food Private Limited is professional manufacturers and exporters of a wide range of Confectionery items like Hollow Gum, Bubble Gum, Chewing Gum, Centre Filled Gum, Chocolate Beans, Chocolate Paste, Moulded Chocolate, Centre Filled Biscuits & Choco Layered Biscuit Balls, Hard Candy & Lollipop, Toffee, Cake, Choco Enrobed & Cream Wafer, Surprise Toy & Khazana Items, Spicy & Fruit Flavoured Balls, Jelly Cup & Pop, Imli (Tamarind) Paste, Soft Drink Powder, Etc. It has manufacturing units based in Indore, Madhya Pradesh.

Financials: Standalone

(Rs. crore)		
For the year ended/* As On	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	252.45	291.64
EBITDA	24.06	28.25
PAT	12.36	10.20
Total Debt	66.18	73.12
Adjusted Tangible Net-worth	33.62	97.81
Ratios		
EBITDA Margin (%)	9.53	9.69



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PAT Margin (%)	4.87	3.49
Overall Gearing Ratio (x)	1.95	0.73

*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 (Rs. 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.	Term Loan	Long Term	2.80	IVR BBB-/ Stable	-	-	-
2.	Term Loan	Long Term	2.88	IVR BBB-/ Stable	-	-	-
3.	Cash Credit	Long Term	21.00	IVR BBB-/ Stable	-	-	-
4.	Cash Credit	Long Term	30.00	IVR BBB-/ Stable	-	-	-
5.	Overdraft	Short Term	3.50	IVR A3	-	-	-

Name and Contact Details of the Rating Team:

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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).



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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. For more information visit www.infomerics.com.

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Annexure 1: Details of Facilities:

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. crore)	Rating Assigned/ Outlook
Term Loan	-	-	August 05, 2029	2.80	IVR BBB-/ Stable
Term Loan	-	-	September 2026	2.88	IVR BBB-/ Stable
Cash Credit	-	-	Revolving	21.00	IVR BBB-/ Stable
Cash Credit	-	-	Revolving	30.00	IVR BBB-/ Stable
Overdraft	-	-	-	3.50	IVR A3

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details:

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

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



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Applicable

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

