



## Rating Rationale

28 October 2020

### Agristo Masa Private Limited

Brickwork Ratings assigns the long term provisional rating of BWR BBB-/ stable for its proposed bank loan facilities amounting to ₹ 125 Crores of Agristo Masa Private Limited.

#### Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
			Present
<b>Fund based</b> Proposed Term Loan Proposed Buyers Credit	<b>80.00</b> <b>45.00</b>	<b>Long Term</b>	<b>^Provisional</b> <b>BWR BBB-/Stable</b>
<b>Total</b>	<b>125.00</b>	<b>Rupees One Hundred and Twenty Five Crores Only</b>	

\*Please refer to Brickwork Ratings (BWR) website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

Complete details of Bank facilities is provided in Annexure-I

^The provisional rating is assigned based on the information and assumptions provided by the company's management and conditions stipulated by the lender in the in-principle approval letter submitted to BWR. The Company is required to submit the final documents with respect to the corporate guarantees and covenants mentioned in the in-principle approval letter within the stipulated timeline of 180 days from the date of the rating.

#### RATIONALE/OUTLOOK

The provisional rating assigned to Agristo Masa Private Limited (AMPL or the company) has factored in its strong parentage, besides expectations that the project would be completed and commence operations within the estimated timelines, given the foreign promoter's long-term international experience in the manufacturing of potato flakes and other potato based speciality products thus providing strong operational support. Group companies of both the promoters have proposed to extend their unconditional and irrevocable corporate guarantees to the lenders, to ensure timely servicing of its proposed term loan facilities. The assigned rating also draws strength from the strategic location of the project, in the heartland of the potato growing belt in UP, thus being in close proximity to raw material availability. AMPL is also eligible for various fiscal benefits such as the tax holidays, central and state government subsidies for capex etc.

BWR notes that the foreign partner, Agristo NV Belgium, has established clientele in various international markets comprising regions in Europe, the USA, the Middle East and Asia.



Further, the Wave group derives benefits from the strong linkages which it enjoys with farmers in UP by virtue of its presence in the sugar manufacturing industry. BWR also expects that the proposed term loan to AMPL has been appraised by the lenders and considered to be viable.

The ratings are, however, constrained by project execution risks, as its construction work is at a nascent stage. Further, its business operations and profitability margins are vulnerable to agro-climatic changes which are likely to have an impact on the potato crop and its prices, besides regulatory risks

The provisional rating is assigned as the BWR has not been apprised of the covenants or the terms and conditions that the lenders would stipulate while sanctioning of the loan to AMPL and its compliance thereof, besides the need for completion of certain formalities like the infusion of promoters' contributions and submission of crucial documents such as corporate guarantees, agreements, due diligences, and other terms and conditions, etc. Policy of BWR with respect to assigning provisional rating is mentioned in Annexure I of Brickwork Ratings Policy. The provisional rating would be due for review after 6 months from the date of the provisional rating assigned.

#### **RATING OUTLOOK: Stable**

BWR believes Agristo Masa Private Limited's business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the company achieves timely financial closure, completes its capex program without cost and time overrun and subsequently ramps up its current scale of operations in the first year of its operations itself. The rating outlook may be revised to 'Negative' in case there is any delay in the said project implementation.

#### **KEY RATING DRIVERS**

##### **Credit Strengths:**

Experienced promoters: Agristo NV, foreign partner, established in 1986 with its headquarters at Harelbeke Belgium, is one of the largest frozen potato flake manufacturers. It has established large-scale production units in the Netherlands at Nazareth, Wielsbeke and Tilburg, from where it offers a wide range of potato fries and other speciality products. It has the capacity of over 700,000 MT to process potatoes into quality products which get exported to 115 countries. Agristo NV has a dedicated R & D department which keeps cross interaction with the farmers cultivating potatoes in Belgium. Imsto NV, Belgium (subsidiary of Agristo NV) has provided an undertaking to offer their expertise and technical know-how to AMPL and support its agenda in the export of produce from the AMPL's proposed unit in accordance with its business plan.



Unconditional and Irrevocable guarantees: The assigned rating derives the explicit support provided by both Wave Industries Private Limited (part of the Wave Group) and Agristo NV, Belgium (foreign partner) in the form of unconditional and irrevocable corporate guarantee for AMPL's proposed rated bank loan limits, in order to ensure timely servicing of the said proposed debt.

Strategic location of the unit: The company's proposed unit is located in the state of Uttar Pradesh, areas with high potato acreage and quality crop, which provides proximity to the required quality raw material and contract-farm potatoes from local farmers.

Eligible for various fiscal benefits: The company's proposed unit falls under the priority sector of the food processing industry and thus is eligible for various fiscal benefits in terms of central government aid for capex, income tax holiday, GST refunds etc.

### **Credit Risks:**

Project execution risks: The company's proposed unit is at nascent stages and thus faces project execution risks. Any delays in achieving the financial closure will impact its project implementation schedule and thus may lead to delays in completing the proposed capex program resulting in time and cost overruns.

Vulnerability of operations to agro-climatic conditions, volatility of raw material prices and other regulatory risks: The company's operations remain vulnerable to the agro-climatic risks related to quality potato production and seasonality associated with it. Further, any changes in the government regulations with respect to its raw material prices and other related policies may impact the company's business plan going forward.

### **ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA**

For arriving at its ratings, BWR has considered the projected standalone financials of the company. BWR also factors in the explicit support provided by its both promoter entities to ensure timely servicing of its proposed bank limits. Please refer to the details in the Rating Criteria (hyperlinks provided at the end of this rationale).

### **LIQUIDITY POSITION:**

The liquidity profile of the company is yet to be determined considering that it has yet to achieve the financial closure and set up its proposed unit as per the business plan submitted. Further, as informed by the management, the promoters have already invested close to Rs. 30 Cr out of the total required promoters contribution in the proposed project.



## **RATING SENSITIVITIES:**

**Positive:** The company's ability to achieve timely financial closure and complete its proposed project as per the business plan submitted besides continued operational and financial support from both the promoters entities, as and when required.

**Negative:** If it fails to achieve financial closure and complete the said proposed project in a timely manner. Further, inability to infuse temporary unsecured loans by the promoters in orders to cover the cash shortfall during its first year of operations (i.e. FY23) as per the TEV report submitted, remains the key rating sensitivities.

## **ABOUT THE COMPANY**

AMPL was incorporated in Oct 2019 and is a 50:50 joint venture between Masa Global Food Pvt Ltd (part of Wave Group) and IMSTO NV, Belgium (subsidiary of Agristo NV, Belgium). The company has proposed to set up a potato processing unit at District Bijnor, Uttar Pradesh. The said project will be implemented in various phases. The unit will be 80% Export Oriented Unit (EOU).

In Phase I, the company has proposed to set up a unit to manufacture potato flakes & frozen potato snacks with a capacity of 9000 MTPA. It is also setting up a cold storage facility with a capacity of 10,000 MT. It will be an integrated plant to process the farm potatoes of different sizes into various kinds of ready-to-cook and eat products with value addition. Expected commencement date of its operations (COD) for Phase I is FY22. After the implementation of Phase I, it is proposed to manufacture frozen potato specialties (FPS) by setting up a new unit with a capacity of 9,000 MTPA. Expected COD for Phase II is FY23.

The estimated total cost of the project is Rs. 195.35 Cr which is proposed to be funded through debt of Rs. 145 Cr, promoters' unsecured loans/equity of Rs. 50.35 Cr and remaining through the central government grant-in-aid of Rs. 20 Cr. Out of the total cost of Rs. 195.35 Cr, the company has already invested ~ Rs. 30 Cr from its own funds as on date, as informed by the management.

## **Key Financial Indicators:**

The company's operations are yet to start, and hence there are no financial indicators available.

**Status of non-cooperation with previous CRA (if applicable)- N.A.**

**Any other information: Nil**

**Rating History for the last three years (including withdrawn/suspended ratings)**

S. No	Current Rating (2020)	Chronology of Rating History for the past 3 years (Rating Assigned and Press Release date) along with outlook/ Watch, if applicable												
<b>Bank Loan Facilities</b>														
1	<table border="1"> <thead> <tr> <th data-bbox="149 648 469 789">Facilities</th> <th data-bbox="469 648 625 789">Type</th> <th data-bbox="625 648 743 789">Amt. (Rs. Crs)</th> <th data-bbox="743 648 992 789">Rating</th> </tr> </thead> <tbody> <tr> <td data-bbox="149 789 469 966"><b>Fund Based</b> Proposed Term Loan Proposed Buyers Credit</td> <td data-bbox="469 789 625 966">Long Term</td> <td data-bbox="625 789 743 966">80.00 45.00</td> <td data-bbox="743 789 992 966">Provisional BWR BBB-/Stable</td> </tr> </tbody> </table>			Facilities	Type	Amt. (Rs. Crs)	Rating	<b>Fund Based</b> Proposed Term Loan Proposed Buyers Credit	Long Term	80.00 45.00	Provisional BWR BBB-/Stable	2019  N.A.	2018  N.A.	2017  N.A.
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**Hyperlink/Reference to applicable Criteria**

- **General Criteria**
- **Approach to Financial Ratios**
- **Manufacturing Companies**
- **Ratings based on Parent Support**

### Annexure I

#### Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Facility	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
1	Punjab & Sind Bank	Proposed Term Loan	Fund Based	80.00	-	80.00
2	RABO Bank	Proposed Foreign Buyers Credit	Fund Based	45.00	-	45.00
<b>TOTAL</b>				<b>125.00</b>	<b>-</b>	<b>125.00</b>

#### Analytical Contacts

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