

## A-1 Chips and Exports India Private Limited

December 04, 2020

### Rating

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Rating Action
Long Term Bank Facilities	5.02	CARE B+; ISSUER NOT COOPERATING* (Single B Plus ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE BB-; (Double B Minus)
Short Term Bank Facilities	0.27	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category
<b>Total Bank Facilities</b>	<b>5.29</b> <b>(Rs. Five Crore and Twenty-Nine Lakhs Only)</b>		

*Details of instruments/facilities in Annexure*

### Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated September 10, 2019 placed the rating(s) of A1 Chips and Exports (India) Private Limited (ACE) under the 'issuer non-cooperating' category as ACE had failed to provide information for monitoring of the rating. ACE continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and email dated November 17, 2020. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

***Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating.***

The rating has been revised by taking into account of non-availability of requisite information due to non-cooperation by A-1 Chips and Exports (India) Private Limited with CARE's efforts to undertake a review of the outstanding rating as CARE views information availability risk as a key factor in its assessment of credit risk. The ratings assigned to the bank facilities of A1 Chips and Exports (India) Private Limited (ACE) continue to remained constrained by small scale of operations and raw material price fluctuation risk. The rating also factors consistent growth in total operating income, comfortable capital structure and debt protection metrics, improving profitability margins and satisfactory operating cycle. The rating also continues to derive strength from long experience of the promoters and long standing presence of the brand in the region.

### Detailed description of the key rating drivers

#### Key Rating weaknesses

##### ***Small scale of operations***

The size of operations of the company continues to be small at Rs. 42.95 Crore in FY19, however scaling up y-o-y. Tangible networth stood at Rs. 9.15 Crore as on March 31, 2019.

##### ***Raw material price fluctuation risk***

Availability and prices of agro commodities are highly dependent on the climatic conditions. Adverse climatic conditions affect their availability and lead to volatility in raw material prices, which has an impact on the profitability of the players operating in the segment.

#### Key Rating strengths

##### ***Long experience of the promoters and long standing presence of the brand in the region***

Mr S Rajan, Mr S Damodharan and Mr S Murali, directors have over three decade of experience in the business. In 1935, their grandfather, Mr Swaminathan, had originally started the chips business in a small way and sold chips in the name of 'A1 chips' on the streets of Coimbatore. It was subsequently taken over by Mr Subramaniam, father of current directors. In 1983, the present directors, took over the business and thereafter set up a retail shop in Coimbatore, Tamil Nadu. In 2007, the firm was reconstituted as a private limited company with a manufacturing facility at Pacchapalayam, Perur and expanded its presence beyond Coimbatore region with own retail outlets. Mr R. Satish, S/o Mr S Rajan is also taking care of the operations. ACE also supplies its products on wholesale all over India through about 75 distributors. Over the years the ACE has

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

\*Issuer did not cooperate; based on best available information

established its brand in Coimbatore region for its quality and taste of its product. In April 2014, ACE started a restaurant under the name of “Snack Street” in R.S. Puram, Coimbatore.

**Financial profile marked by consistent growth in total operating income, improvement in profitability margins and comfortable capital structure and debt protection metrics**

Total operating income of the company has grown by 21% in FY19 and stood at Rs.42.95 Crore as against Rs. 35.50 Crore in FY18.

The PBILDT margin continued to improve and stood at 8.74% in FY19 viz a viz 7.74% in FY18. The PAT margin has improved by 390 bps and stood at 4.06% in FY19 in line with improvement in operating profit margin.

The company has continues to report comfortable capital structure marked by overall gearing of 0.56x as on March 31, 2019 as against 0.81x as on March 31, 2018 on the back of reducing debt levels as against increasing tangible networth in line with accretion of profits. The debt coverage indicators during FY19 marked by its total debt to gross cash accruals has improved and stood healthy at 1.89x as against 3.18x during FY18. Adding, the interest coverage ratio has improved stood comfortable at 6.35x as on March 31, 2019 as against 5.39x during FY18.

**Satisfactory operating cycle**

The operating cycle of the company continues to be comfortable and stood at 38 days in FY19 as against 40 days in FY18. The collection, creditor and the inventory periods stood at 15 days, 6 days and 29 days respectively in FY19.

**Analytical Approach:** Standalone

**Applicable Criteria**

[Policy in respect of Non-cooperation by issuer](#)

[CARE's Policy on Default Recognition](#)

[Financial ratios – Non-Financial Sector](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

[Rating Methodology -Manufacturing Sector](#)

[CARE's Methodology for Short Term Instruments](#)

**About the Company**

A1 Chips and Exports (India) Private Limited (ACE) was initially established in the name of A1 Chips, commenced as a partnership concern in 1983 by Mr. S. Rajan, Mr. S. Damodharan and Mr. S. Murali for manufacturing and retailing of chips and snacks variety in Coimbatore, Tamil Nadu. In order to venture into export in 1999, the promoters started separate concern, A1 Exports as a partnership concern. In 2007, both the concerns were merged and incorporated as a private limited company in the name of ACE. ACE is engaged in the manufacturing of around 430 variety of snacks which includes banana chips, potato chips, tapioca chips, mixtures etc. and around 65 variety of sweets in its state of art facility(spread over 35,000 sq. ft.) located in Pacchapalayam, Kalampalayam post, Perur. The facility is housed with modern kitchen equipment for mass production and obtained ISO standard certification. The plant has a bio gas plant with a power generation capacity of 40 kVA (kilovolt-amps) which produce 8-10 hours of power per day required for plant 3 CARE Ratings Limited Press Release from vegetable waste. ACE operates through 16 branches, of which 12 branches within Coimbatore, 2 branches at Palakkad and one each at Tirupur and Pollachi to sell their products under the brand name “A1 CHIPS”. ACE also exports its products to United Arab Emirates, Doha, Singapore, Australia, South Africa, USA etc. through which the company earned 4% of income from operations in FY15 (7% in FY14). ACE also supplies its products on wholesale all over India through ~75 distributors. In April 2014, ACE started a restaurant under the name of “Snack Street” in R.S. Puram, Coimbatore. ACE operates through two shifts of 10 hours per day. ACE employs nearly 350 workers both at the factory and retail outlets.

Brief Financials (Rs. crore)	FY18(A)	FY19(A)
Total Operating Income	35.50	42.95
PBILDT	2.75	3.75
PAT	1.04	1.74
Overall gearing (times)	0.81	0.56
Interest coverage (times)	5.39	6.35

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating History (Last three years):** Please refer Annexure-2

**Annexure-1: Details of Instruments/Facilities**

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	June 2021**	3.27	CARE B+; ISSUER NOT COOPERATING*
Fund-based - LT-Cash Credit	-	-	-	1.75	CARE B+; ISSUER NOT COOPERATING*
Fund-based - ST-Working Capital Limits	-	-	-	0.25	CARE A4; ISSUER NOT COOPERATING*
Non-fund-based - ST-Credit Exposure Limit	-	-	-	0.02	CARE A4; ISSUER NOT COOPERATING*

\*Issuer did not cooperate; Based on best available information

\*\*Updated maturity date not available

**Annexure-2: Rating History of last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Term Loan	LT	3.27	CARE B+; ISSUER NOT COOPERATING*	-	1)CARE BB-; ISSUER NOT COOPERATING* (10-Sep-19)	1)CARE BB; ISSUER NOT COOPERATING* (18-Jul-18)	1)CARE BB+; ISSUER NOT COOPERATING* (18-May-17)
2.	Fund-based - LT-Cash Credit	LT	1.75	CARE B+; ISSUER NOT COOPERATING*	-	1)CARE BB-; ISSUER NOT COOPERATING* (10-Sep-19)	1)CARE BB; ISSUER NOT COOPERATING* (18-Jul-18)	1)CARE BB+; ISSUER NOT COOPERATING* (18-May-17)
3.	Fund-based - ST-Working Capital Limits	ST	0.25	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4; ISSUER NOT COOPERATING* (10-Sep-19)	1)CARE A4; ISSUER NOT COOPERATING* (18-Jul-18)	1)CARE A4+; ISSUER NOT COOPERATING* (18-May-17)
4.	Non-fund-based - ST-Credit Exposure Limit	ST	0.02	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4; ISSUER NOT COOPERATING* (10-Sep-19)	1)CARE A4; ISSUER NOT COOPERATING* (18-Jul-18)	1)CARE A4+; ISSUER NOT COOPERATING* (18-May-17)

\*Issuer did not cooperate; Based on best available information

**Annexure-3: Detailed explanation of covenants of the rated instrument / facilities- Information not available**

**Annexure 4: Complexity level of various instruments rated for this Company**

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Fund-based - LT-Term Loan	Simple
3.	Fund-based - ST-Working Capital Limits	Simple
4.	Non-fund-based - ST-Credit Exposure Limit	Simple

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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### About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**