

Prataap Snacks Limited

September 12, 2018

Summary of Rated Instrument

Instrument	Rated Amount (Rs. crore)	Rating Outstanding
Long-term Fund-based cash credit	16.0	[ICRA]A+ (Stable)
Long term Fund based Term loan	42.0	[ICRA]A+ (Stable)
Total	58.0	

Material Event

Prataap Snacks Limited (PSL) has published its Notice for the 9th Annual General Meeting for shareholders on September 6, 2018. Through this notice, the company is seeking shareholders' approval on the variation in the objects of the initial public offering (IPO). The variation would help the company in acquiring the ~80% equity stake in Avadh Snacks Private Limited (ASPL), a Gujarat-based savoury snacks manufacturer for Rs. 148.0 crore. The company will finance the acquisition with internal cash accruals (Rs. 108.5 crore) and unutilised IPO proceeds (Rs. 39.5 crore). ICRA expects that the liquidity position of the company will remain healthy with a lightly leveraged capital structure.

Impact of the Material Event

The rating remains unchanged at [ICRA]A+ (Stable) as the credit metrics of the company remain mostly in line with ICRA's estimates.

ICRA expects that the acquisition of the majority stake in ASPL will not impact the financial position of PSL significantly as the company has comfortable cash and cash equivalent balance of Rs. 212.9 crore as on March 31, 2018. Moreover, its ability to generate cash shall keep the liquidity at a healthy level. PSL has also reduced its capital expenditure plan on the existing plant at Indore, Madhya Pradesh for the potato chips facility, which would also support the cash flows. The acquisition is expected to help PSL expand its footprint in Gujarat. The product portfolio of both the companies will complement each other. In addition, PSL will get the access of ASPL's distribution network.

ASPL registered an operating income of Rs. 138.9 crore in FY2018 (including the revenues from Avadh Food Products – converted into ASPL on August 25, 2017), up more than 40% YoY. Furthermore, the return on capital employed (ROCE) for the consolidated entity will remain in line with ICRA's expectation in the next couple of years.

The previous detailed rating rationale is available on the following link: [Click here](#)

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