

**Press Release**  
**Moreish Foods Limited**  
**February 17, 2024**  
**Rating Reaffirmed**



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	38.00	ACUITE BB+   Stable   Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	38.00	-	-

**Rating Rationale**

Acuite has reaffirmed the long term rating to '**ACUITE BB+**' (read as **ACUITE double B plus**) on the Rs.38.00 Cr. bank facilities of Moreish Foods Limited (MFL). The outlook is '**Stable**'.

**Rationale for Rating**

The rating is reaffirmed on account the steady business risk profile of the company majorly driven by steadiness in revenues. The company has increased revenues of Rs. 127.69 Cr in FY2023 as compared to revenues of Rs. 115.29 Cr in FY2022, thereby registering an y-o-y growth of around 11 per cent. Further, the company has achieved revenue of Rs. 100.64 Cr as on December 2023 (Provisional). The improvement in revenues is majorly on account of increase in sales volume during the period.

The rating also factors in the moderate average financial risk profile with comfortable capital structure albeit modest debt protection metrics. The liquidity position of the company is adequate and absence of any major debt funded capex plans, steady accruals and moderate debt repayments. The rating also factors the efficient working capital management.

However, these strengths are partially offset by its exposure to risks related to volatility in raw material prices and intense competition in the industry.

**About the Company**

Established in 1998, Moreish Foods Limited (MFL), led by Mr. Narendra Kumar from Ranchi, Jharkhand, specializes in the production and sale of bakery items like bread, cakes, and cookies under the brand Moreish. With manufacturing facilities in Ranchi, Patna, Asansol, Howrah, and Bhubaneshwar, the company serves the consumer market through distributors and retailers. MFL has partnered with major retail chains such as Big Basket, Easyday, Grofers, Spencers, Reliance Retail, Big Bazar, More, and others in Eastern India, in addition to collaborating with institutions like hospitals, corporate clubs, and Indian Railways.

**Unsupported Rating**

Not Applicable

**Analytical Approach**

Acuite has taken a standalone view of the business and financial risk profile of MFL to arrive at the rating.

**Key Rating Drivers**

Strengths

- **Steady scale of operations**

The company has increased revenues of Rs. 127.69 Cr in FY2023 as compared to revenues of Rs. 115.29 Cr in FY2022, thereby registering an y-o-y growth of around 11 per cent. The improvement in revenues is majorly on account of increase in sales volume during the period. The company has achieved revenue of Rs. 100.64 Cr as on December 2023 (Provisional). However, the operating margin of the company declined to 6.57 per cent in FY2023 as compared to 7.21 per cent in FY2022. The decrease in margin is attributed to pricing pressure in West Bengal, where sales are higher compared to other regions.

The PAT margins stood at 0.91 per cent in FY2023 as against 2.19 per cent in FY 2022. The decrease in margins is on account of increase in interest costs. The ROCE levels stood at a comfortable level of about 11.07 per cent in FY2023.

Going forward, Acuité believes that the margin of the company is expected to improve slightly over the medium term.

- **Moderate financial risk profile**

The financial risk profile of the company is marked by moderate net worth, comfortable gearing and modest debt protection metrics. The tangible net worth of the company stood at Rs.26.70 Cr as on March 31, 2023 as compared to Rs.26.31 Cr.as on March 31, 2022 due to accretion to reserves. However, there were write off of miscellaneous balance and prior period payment of Rs. 0.80 lakhs during FY2023. Acuité has considered unsecured loans of Rs.6.75 Cr as on March 31, 2023, as quasi-equity as the management has undertaken to maintain the amount in the business over the medium term. The adjusted gearing of the company stood comfortable at 0.98 times as on March 31, 2023. The adjusted Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.47 times as on March 31, 2023. The adjusted debt protection metrics of the company stood modest marked by Interest coverage ratio (ICR) of 2.18 times and debt service coverage ratio (DSCR) of 1.00 times for FY2023. The adjusted net cash accruals to total debt (NCA/TD) stood at 0.17 times in FY2023. The company has undertaken the capex in Assam to expand its bakery unit, with a total project cost of Rs. 4.62 Cr funded in a mix of term loan and internal accruals.

Going forward, Acuité believes the financial risk profile of the company will remain moderate on account of steady net cash accruals with no major debt funded capex plan over the medium term.

- **Efficient working capital management**

The working capital operations of the company is efficient marked by low gross current asset (GCA) days of 77 days for FY2023 as compared to 64 days for FY2022. The GCA days are primarily on account of receivable days and inventory holding. The debtor days of the company stood at 34 days in FY2023 as against 30 days in FY 2022. Further, the inventory days stood at 33 days in FY2023 as compared to 28 days in FY2022. Against this, the company has substantial dependence on its suppliers to support the working capital; creditors stood at 52 days as on March 31, 2023.

Acuité believes that the working capital operations of the company will remain at the similar levels over the medium term.

## **Weaknesses**

- **Susceptibility to fluctuation in input prices**

The raw materials required for manufacturing bread and bakery products are wheat flour, sugar, edible refined hydrogenated vegetable oil, skim milk powder (SMP), flavours, preservatives etc. The company also consumes a significant amount of packaging materials and needs fuels like furnace oil and LPG. The prices of flour, sugar and oil are highly

dependent on both agro-climatic conditions and Government policies and thus are subject to considerable volatility. Prices of packaging materials and fuels remain linked to crude oil prices, which also exhibit significant volatility, thus impacting MFL's margins.

- **Competition from local manufacturers and established players**

The industry is highly competitive with the presence of branded players like Britannia, ITC, Parle, Modern, Saj Food Products, etc. Some of these players have a large scale of operations, a Pan-India presence and are well-established brands. Apart from these, the company is exposed to competition from a large, local unorganised segment.

#### **Rating Sensitivities**

- Significant growth in revenue and profitability margin
- Elongation of working capital cycle
- Improvement in financial risk profile

#### **Liquidity Position Adequate**

The company has adequate liquidity marked by net cash accruals of Rs. 4.57 Cr. as on March 31, 2023 as against Rs. 4.54 Cr long term debt obligations over the same period. The cash and bank balance stood at Rs. 0.53 Cr for FY 2023. Further, working capital operations of the company is efficient marked by low gross current asset (GCA) days of 77 days for FY2023 as compared to 64 days for FY2022. However, the current ratio of the company stood low at 1.05 times in FY2023. Moreover, the bank limit of the company has been ~87.00 percent utilized for the last six months ended in January 2024. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term and absence of any major debt funded capex plans over the medium term.

#### **Outlook: Stable**

Acuité believes that the outlook on the company will remain 'Stable' over the medium term on account of the long track record of operations, experienced management and sound business position. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues coupled with sustained improvement in operating margins and debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of a decline in the company's revenues or profit margins, or in case of deterioration in the company's financial risk profile.

#### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	127.69	115.29
PAT	Rs. Cr.	1.16	2.53
PAT Margin	(%)	0.91	2.19
Total Debt/Tangible Net Worth	Times	0.98	0.82
PBDIT/Interest	Times	2.18	3.09

### Status of non-cooperation with previous CRA (if applicable)

Not Applicable

### Any other information

None

### Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in)

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
17 May 2023	Term Loan	Long Term	3.00	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	5.00	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Proposed Term Loan	Long Term	23.00	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Secured Overdraft	Long Term	7.00	ACUITE BB+ (Downgraded and Issuer not co-operating*)
28 Feb 2022	Proposed Term Loan	Long Term	23.00	ACUITE BBB-   Stable (Assigned)
	Secured Overdraft	Long Term	7.00	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	3.00	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	5.00	ACUITE BBB-   Stable (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Union Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	8.00	ACUITE BB+   Stable   Reaffirmed
ICICI Bank Ltd	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	01 Mar 2027	Simple	1.12	ACUITE BB+   Stable   Reaffirmed
ICICI Bank Ltd	Not avl. / Not appl.	Dropline Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	3.00	ACUITE BB+   Stable   Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.57	ACUITE BB+   Stable   Reaffirmed
ICICI Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	29 Feb 2024	Simple	1.53	ACUITE BB+   Stable   Reaffirmed
ICICI Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Jul 2026	Simple	2.64	ACUITE BB+   Stable   Reaffirmed
ICICI Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Aug 2029	Simple	3.01	ACUITE BB+   Stable   Reaffirmed
ICICI Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Aug 2029	Simple	1.81	ACUITE BB+   Stable   Reaffirmed
ICICI Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Sep 2029	Simple	1.03	ACUITE BB+   Stable   Reaffirmed
ICICI Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Aug 2029	Simple	2.29	ACUITE BB+   Stable   Reaffirmed
Union Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Aug 2029	Simple	12.00	ACUITE BB+   Stable   Reaffirmed

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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