

August 03, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit[@]	30.95	SMERA BBB-/Stable (Assigned)
PC/PCFC[#]	107.73	SMERA A3 (Assigned)
Term Loan	9.02	SMERA BBB-/Stable (Assigned)
Inland/Foreign Letter of Credit*	30.50	SMERA A3 (Assigned)
Bank Guarantee	1.40	SMERA A3 (Assigned)
Proposed Fund/Non Fund Based Facility	0.40	SMERA BBB-/Stable/SMERA A3 (Assigned)

[@]includes EPC/FBD/EBD/EBN as a sublimit to the extent of Rs.15.85 crores

[#]includes FBD/FBP as a sublimit to the extent of Rs.9.00 crores

^{*}includes Buyers' Credit as a sublimit to the extent of Rs.1.00 crores

SMERA has assigned ratings of '**SMERA BBB-**' (**read as SMERA triple B minus**) and '**SMERA A3**' (**read as SMERA A three**) to the Rs.180.00 crore bank facilities of Foods and Inns Limited (FIL). The outlook is '**Stable**'. The ratings derive comfort from the company's long track record of operations, experienced management and reputed customer base. The ratings also factor in the healthy revenue growth, improvement in margins and moderate financial risk profile of the company. However, the ratings are constrained by the working capital intensive operations on account of seasonality in production and exposure to forex fluctuation risk. The ratings also factor in the company's exposure to its loss making associate firm.

FIL, a Mumbai-based company was incorporated in 1967 and is engaged in the processing of fruit pulp, natural spray dried fruit/vegetable powder. The company benefits from its experienced management. Mr. Utsav Dhupelia, Managing Director, has more than four decades of experience in the food processing industry. The company has a reputed client base in the domestic and overseas markets. FIL caters to reputed brands such as Pepsico and Coca-Cola forging long term relationships with its customers and suppliers.

One of the largest exporters of mango pulp, FIL registered a healthy revenue growth over the last three years of Rs.361.13 crore in FY2014-15 (provisional), an increase from Rs.257.63 crore in FY2012-13 on account of hike in domestic demand. The company has a healthy order book of Rs.316.92 crore as on July 2015, mainly comprising mango pulp to be executed within the next 18 months. FIL's operating profitability improved in FY2014-15 to 12.83 per cent from 8.31 per cent in FY2013-14 on account of increased demand and a stable rupee resulting in forex gain. The company has healthy net cash accruals of Rs.23.13 crore for FY2014-15.

FIL has a moderate financial risk profile. The gearing improved to 3.21 times as on March 31, 2015 from 5.49 times as on March 31, 2014 on account of healthy net profit of Rs.12.70 crore in FY2014-

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15. The net worth of the company is also supported by the unsecured loans from directors which are subordinated to bank debt. The total debt of Rs.149.76 crore however, mainly consists of working capital facilities of Rs.137.21 crore as on March 31, 2015. The interest coverage ratio is comfortable at 2.18 times for FY2014-15 as against 1.55 times in the previous year.

FIL's operations being seasonal in nature are working capital intensive. With high dependency on mangoes for 75 percent of the products, FIL procures mangoes during the mango season (three to four months a year) to maintain inventory for the whole year. The company avails of adhoc limits during these months to meet its working capital requirements. The working capital cycle improved to 81 days in FY2014-15 from 132 days in FY2013-14. Major production takes place from April to September, after which the company manufactures other products such as guava pulp, papaya pulp and tomato paste.

FIL exports around 70 per cent of its sales and hence has considerable exposure to forex fluctuations which are taken care of through necessary hedging mechanisms. The company however, has to book mark to market losses/profits depending on the prevailing exchange rates that can affect margins. Also, the company has 48 per cent stake in its loss making concern, Finns Frozen Foods (India) Limited.

Outlook: Stable

SMERA believes that FIL will continue to benefit over the medium term from its experienced management and established market position. The outlook may be revised to 'Positive' in case the company registers substantial increase in its scale of operations while maintaining comfortable operating profit margins and managing its forex risks. Conversely, the outlook may be revised to 'Negative' in case the company fails to achieve the projected scalability in revenues or the company's financial risk profile deteriorates on account of higher-than-expected increase in debt-funded working capital requirements and capex.

About the Company

FIL, incorporated in 1967, is a Mumbai-based company engaged in the processing of fruit pulp, natural spray dried fruit/vegetable powder. The company is headed by Mr. Utsav Dhupelia, Managing Director. FIL has seven manufacturing facilities, three at Chitoor with 35,000 MTPA, one at Valsad with 10,000 MTPA, two at Nashik with 14,000 MTPA and a spray dried unit at Mumbai which will soon be shifted to Nashik.

For FY2013-14, FIL reported net profit of Rs.5.15 crore on operating income of Rs.306.35 crore, as compared with net profit of Rs.2.52 crore on operating income of Rs.257.63 crore in the previous year. For FY2014-15, the company reported net profit of Rs.12.70 crore (provisional) on operating

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income of Rs.361.13 crore (provisional). The company's net worth stood at Rs.34.22 crore as on March 31, 2014, as compared with Rs.28.82 crore a year earlier. As per provisional financials, the company's net worth stood at Rs.46.62 crore as on March 31, 2015.

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