

Foods and Inns Limited: Reaffirmed

Facilities	Amount (Rs Crore)	Ratings/Outlook
Cash Credit@	30.95	SMERA BBB-/Stable (Reaffirmed)
PC/PCFC#	107.73	SMERA A3 (Reaffirmed)
Term Loan	4.77 (revised from 7.82)	SMERA BBB-/Stable (Reaffirmed)
Inland/Foreign Letter of Credit*	30.50	SMERA A3 (Reaffirmed)
Bank Guarantee	1.40	SMERA A3 (Reaffirmed)
Corporate Loan	13.50	SMERA BBB-/Stable (Assigned)
Proposed Corporate Loan	16.50	SMERA BBB-/Stable (Assigned)
Proposed Fund/Non Fund Based Facility	0.65 (revised from 0.40)	SMERA BBB-/Stable/SMERA A3 (Reaffirmed)
Term Loan	1.20	SMERA BBB-/Stable (Withdrawn)

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

#includes FBD/FBP as a sublimit to the extent of Rs.9.00 crore

*includes Buyers' Credit as a sublimit to the extent of Rs.1.00 crore

SMERA has reaffirmed the ratings of '**SMERA BBB-**' (read as **SMERA triple B minus**) and '**SMERA A3**' (read as **SMERA A three**) on the Rs.176.00 crore bank facilities of Foods and Inns Limited (FIL). The outlook is '**Stable**'. SMERA has also assigned rating of '**SMERA BBB-**' on the Rs.30.00 crore bank facilities of FIL. The outlook is '**Stable**'. Further, SMERA has withdrawn the rating of '**SMERA BBB-**' on the Rs.1.20 crore bank facility of FIL as there are no dues outstanding in the account.

The ratings continue to derive comfort from the company's established track record of operations, experienced management, reputed customer base and moderate financial risk profile. However, the ratings are constrained by the working capital intensive operations on account of seasonality in production, exposure to agro climatic risks leading to volatile profit margins and exposure to forex fluctuation risk.

Update

FIL registered revenue of Rs.335.85 crore in FY2015-16 as against Rs.361.13 crore in FY2014-15 due to low demand and slow offtake from a few top customers. However, in Q12017, the company booked revenues of Rs.77.94 crore as against Rs.71.96 crore during the same period last year. Further, the company has a healthy order book of Rs.264 crore as on August 2016. FIL's operating profit margins declined to 8.88 per cent in FY2015-16 from 12.86 per cent in FY2014-15 since the company incurred certain one-time costs due to closure of its Chembur factory. However, the company has healthy net cash accruals of Rs.8.62 crore for FY2015-16.

FIL has a moderate financial risk profile. The gearing stands at 4.12 times as on March 31, 2016. The net worth is also supported by unsecured loans from directors to the tune of Rs.3.64 crore that are subordinated to bank debt. The total debt of Rs.195.73 crore however, mainly consists of working capital facilities of Rs.180.23 crore as on March 31, 2016 and intercorporate deposits and unsecured loans from directors. The interest coverage ratio has declined from 2.18 times in FY2014-15 to 1.68 times in FY2015-16 on account of decline in margins. In the current financial year, the company is undergoing a preferential issue of 150,000 equity shares and 72,000 share warrants at a share premium of Rs.710 per share. As on September 21, 2016, the company completed preferential issue of 100,000 equity shares and 36,000 share warrants. Thus, the financial risk profile of the company is expected to remain moderate in the medium term.

FIL's operations being seasonal in nature are working capital intensive. With high dependency on mangoes for 75 percent of the products, FIL procures them 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 is high on account of high inventory holding due to the seasonal nature of business. 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.

Rating Sensitivity Factors

- Movement in operating margins
- Liquidity position
- Improvement in capital structure

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 scale of operations while maintaining comfortable operating profit margins and managing its forex risks. Conversely, the outlook may be revised to 'Negative' in case of failure in achieving the projected scalability in revenues or if the financial risk profile deteriorates on account of higher-than-expected increase in debt-funded working capital requirements and capex.

Criteria applied to arrive at the ratings:

- Manufacturing Entities

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 has six manufacturing facilities, three at Chitoor, one at Valsad and two at Nashik with total 150,000 MTPA of fruit processing capacity.

For FY2015-16, FIL reported net profit of Rs.0.61 crore on operating income of Rs.335.85 crore, as compared to net profit of Rs.12.79 crore on operating income of Rs.361.13 crore in the previous year.

Rating History

Date	Facilities	Amount (Rs. Crore)	Ratings		Rating Outlook
			Long Term	Short Term	
03 Aug, 2015	Cash Credit	30.95	SMERA BBB- (Assigned)	-	Stable
	PC/PCFC	107.73	-	SMERA A3 (Assigned)	-
	Term Loan	9.02	SMERA BBB- (Assigned)	-	Stable
	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- (Assigned)	SMERA A3 (Assigned)	Stable

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ABOUT SMERA

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