

**Press Release**  
**Foods and Inns Limited**

March 30, 2020

**Rating Reaffirmed**



<b>Total Bank Facilities Rated*</b>	Rs.206.00 Cr.
<b>Long Term Rating</b>	ACUITE BBB- / Outlook: Stable
<b>Short Term Rating</b>	ACUITE A3

\* Refer Annexure for details

**Rating Rationale**

Acuité has reaffirmed its long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and the short term rating of '**ACUITE A3**' (read as **ACUITE A three**) to the Rs.206.00 crore bank facilities of Foods and Inns Limited (FIL). The outlook is '**Stable**'.

FIL, incorporated in 1967, is a Mumbai-based company engaged in the processing of fruit pulp, and natural spray dried fruit/vegetable powder. The company has seven manufacturing facilities located three at Chitoor (Andhra Pradesh), two in Gonde, Nashik (Maharashtra), one each in Valsad (Gujarat) and Sinner (Maharashtra) with total fruit pulp extraction capacity of 75324 MT. The company is majorly engaged in exports to Europe, Middle East, USA, Japan, Africa and China. Its products are sold in aseptic, canned, and frozen and spray dried form. The company is listed on BSE and NSE.

**Analytical Approach**

Acuité has considered a consolidated view of the financial and business risk profiles of Foods and Inns Limited (FIL) and its subsidiary FNI Asia PTE Limited, based in Singapore. The consolidation is on account of common management, similarities in the line of business and significant operational and business synergies. Extent of Consolidation: Full

**Key Rating Drivers**

**Strengths**

**• Experienced management and established track record of operations**

FIL was incorporated in 1967 and later got listed in 1970. It has seven manufacturing facilities spread across three states (fruit growing regions) and 7 warehouses. The company is headed by Mr. Bhupendra Dalal (Chairman) who has over four decades of experience in this line of business. The company has been able to forge long lasting relationships and tie-ups with customers and suppliers. It has diversified its product range and packaging to be in tune with the market demand.

**• Reputed Clientele**

FIL derives significant portion of its income from sale of range of mango, guava, papaya and tomato products to various domestic and international companies in the food and beverage industry. Around 36 percent of the total sales in FY2019 is to PEPSICO and Hindustan Coca-Cola Beverages (Domestic & Export) and the remaining is distributed amongst some of the reputed players including Boiron S.A (France), Al Buheira Lacnor (UAE), Dohler Company, A.G. Barr PLC (U.K) among others. The company has been associated with its existing customers for more than a decade which has helped it secure repeat orders. FIL also participates in various international trade fairs and exhibitions such as Anuga (Germany), Sial (France) and Gulf Food (Dubai) for customer orders. The composition of the exports and domestic sales have remained same at 67 percent and 33 percent albeit increase in turnover to Rs.339.19 crores in FY2019 from Rs.335.48 crores in FY2018.

**• Moderate financial risk profile**

The company has recently reduced its debt by sale of property in Chembur in October 2019, for a consideration of Rs.147 crore (book value Rs.10 crore). The proceeds has primarily been utilized towards repayment of short term debt of Rs.105 crore and the balance towards settlement of taxes and purchase of stake in Kusum Spices. As a result the total outstanding debt as on 31 March 2019 reduced to Rs.101.27 crore compared to Rs.190.80 crore as on 31st March 2018.

Leverage ratios has thus improved on the back of reduction in debt with gearing ratio at 0.60 times as on 31<sup>st</sup> March 2019 as against 4.46 times as on 31<sup>st</sup> March 2018 and the interest coverage ratio at 9.25 times for FY2019 compared to 1.70 times for FY2018. The tangible net worth of the company increased to Rs.168.55 crore as on 31<sup>st</sup> March 2019 from Rs.42.80 crore as on 31<sup>st</sup> March 2018. The net cash accruals to total debt (NCA to TD) stood at 0.07 times in FY2018 as against 0.09 times in FY2017.

Acuite believes that the financial risk profile will remain moderate on the back of regular capex and steady profitability.

### **Weaknesses**

#### **• Stagnancy in revenue and moderation in profitability**

The company's revenues has fluctuated during the period FY2017 to FY2019. Revenues though have increased to Rs.339.19 crore in FY2019 from Rs.335.48 crore in FY2018. On a standalone basis, the revenues has increased to Rs.337.94 crores in FY2019 from Rs.315.70 crores in FY2018. Further, FIL has booked revenues of Rs.249.87 crores during 9MFY2020.

Even though there has been an increase in the revenue, the EBITDA has been on a declining trend since FY17. The EBITDA margins for FY2019 declined to 8.36 percent from 10.56 percent in FY2018 on account of lower realizations and increase in administrative expenses. The regulatory changes such as implementation of GST in the domestic market has also affected product offtake in the past.

#### **• Seasonal nature of the business**

Operating in a seasonal industry, raw materials are prone to price fluctuations. The company remains vulnerable to agro climatic risks as it deals with fruits and vegetables. Being seasonal, the prices of fruit pulp are vulnerable to the vagaries of nature. Sale of mango pulp accounts for ~75 percent of total sales. Acuite believes that the company's ability to diversify its product base will remain a key rating sensitivity. The company has recently bought majority stakes in Kusum Spices and Triveni Global Foods Private Limited to expand its product portfolio it is has also started manufacturing several new products such as tamarind paste, tomato paste, banana puree, chili paste to cater to the domestic market and local manufacturers.

#### **• Working capital intensive operations**

Since operations of the company are seasonal in nature thus a major challenge is to manage its working capital requirements. Around 75 percent of the products are mango based the company has to procure inventory during three months of the year. FIL starts procurement during April to June which results in high utilization of working capital facilities during that time. Ad-hoc limits are availed during these months to meet its working capital requirements.

In FY2019, Gross Current Assets (GCA) days improved to 227 from 234 in FY2018. Its collection period has improved marginally to 72 days from 74 days in FY2018. The inventory holding period has improved to 128 days in FY2019 from 140 days in FY2018. Its payables period has also improved to 61 days in FY2019 from 130 days in FY2018.

#### **• Exposed to foreign exchange fluctuations**

Around 67 percent of the company's sales are through export to Europe, Middle East, USA, Japan, Africa and China thus exposed to forex fluctuation risk. The company enters into forward contracts for hedging at least 75 percent of its exposure. Further, it also avails of packing credit in foreign currency and receives customer advances in foreign currency. Re-instating these exposures during the year end at the prevailing exchange rate results in notional profits/losses.

### **Liquidity position: Adequate**

The company has adequate liquidity position marked by healthy net cash accruals against its maturing debt obligations. It generated net cash accruals of ~Rs.14 crore for last three years through FY2019 while its maturing debt obligation stood at ~Rs.2 crore during the same period. And the cash and bank balances stood at Rs.0.86 crores as on 31<sup>st</sup> March 2019 and the current ratio of the company stood at 1.21 times as on 31<sup>st</sup> March 2019.

Acuite believes that the liquidity of the company is likely to remain adequate over the medium term on account of comfortable cash accruals against the repayment obligations over the medium term.

### **Rating Sensitivities**

- Improvement, sustainability and healthy growth of revenues and profitability margins.
- Deterioration in the working capital cycle leading to stress on the liquidity position.

### **Material Covenants**

None

### Outlook: Stable

Acuite believes that the company will maintain a 'Stable' outlook over the medium term owing to its established presence in the industry extensive experience of its promoters and established relations with customers. The outlook may be revised to 'Positive' in case the company registers more than expected revenue growth while maintaining its profitability and registering improvement in its financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of failure in achieving expected revenues profitability or if the working capital cycle further deteriorates.

### About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	339.19	335.48
PAT	Rs. Cr.	109.22	3.47
PAT Margin	(%)	32.20	1.03
Total Debt/Tangible Net Worth	Times	0.60	4.46
PBDIT/Interest	Times	9.25	1.70

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

None

### 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>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-61.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

### Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
07-Jan-2019	Cash Credit	Long term	10.55	ACUITE BBB- / Stable (Reaffirmed)
	Packing Credit	Short term	61.45	ACUITE A3 (Reaffirmed)
	Term Loan	Long term	13.50	ACUITE BBB- / Stable (Reaffirmed)
	Packing Credit	Short term	9.00	ACUITE A3 (Withdrawn)
	Cash Credit	Long term	0.50	ACUITE BBB- (Withdrawn)
	Packing Credit	Short term	15.00	ACUITE A3 (Withdrawn)
	Term Loan	Long term	10.00	ACUITE BBB- (Withdrawn)
	Cash Credit	Long term	19.90	ACUITE BBB- / Stable (Reaffirmed)
	Packing Credit	Short term	7.43	ACUITE A3 (Withdrawn)
	Term Loan	Long term	0.61	ACUITE BBB- (Withdrawn)
	Packing Credit	Short term	20.85	ACUITE A3 (Withdrawn)
	Term Loan	Long term	8.00	ACUITE BBB- / Stable (Assigned)

	Letter of Credit	Short term	21.50	ACUITE A3 (Reaffirmed)
	Bank Guarantee	Short term	1.00	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short term	1.00	ACUITE A3 (Withdrawn)
	Bank Guarantee	Short term	0.15	ACUITE A3 (Withdrawn)
	Letter of Credit	Short term	5.00	ACUITE A3 (Withdrawn)
	Letter of Credit	Short term	1.00	ACUITE A3 (Reaffirmed)
	Bank Guarantee	Short term	0.25	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short term	2.00	ACUITE A3 (Withdrawn)
	Proposed Bank Facility	Long term	68.85	ACUITE BBB- / Stable (Reaffirmed)
17-Oct-2017	Cash Credit	Long Term	10.55	ACUITE BBB- / Stable (Reaffirmed)
	Packing Credit	Short Term	61.45	ACUITE A3 (Reaffirmed)
	Term Loan	Long Term	3.00	ACUITE BBB- (Withdrawn)
	Term Loan	Long Term	13.50	ACUITE BBB- / Stable (Reaffirmed)
	Packing Credit	Short Term	9.00	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	0.50	ACUITE BBB- / Stable (Reaffirmed)
	Packing Credit	Short Term	15.00	ACUITE A3 (Reaffirmed)
	Term Loan	Long Term	10.00	ACUITE BBB- / Stable (Assigned)
	Cash Credit	Long Term	19.90	ACUITE BBB- / Stable (Reaffirmed)
	Packing Credit	Short Term	7.43	ACUITE A3 (Reaffirmed)
	Term Loan	Long Term	0.61	ACUITE BBB- / Stable (Reaffirmed)
	Packing Credit	Short Term	20.85	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short Term	21.50	ACUITE A3 (Reaffirmed)
	Bank Guarantee	Short Term	1.00	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short Term	1.00	ACUITE A3 (Reaffirmed)
	Bank Guarantee	Short Term	0.15	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short Term	5.00	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short Term	1.00	ACUITE A3 (Reaffirmed)
	Bank Guarantee	Short Term	0.25	ACUITE A3

				(Reaffirmed)
	Letter of Credit	Short Term	2.00	ACUITE A3 (Reaffirmed)
	Proposed Long term Loan	Long Term	5.31	ACUITE BBB- / Stable (Reaffirmed)

**\*Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Open Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.55	ACUITE BBB-/ Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	23.50	ACUITE BBB-/ Stable (Reaffirmed)
Term Loan	June, 2018	Not Applicable	July, 2025	8.00	ACUITE BBB-/ Stable (Reaffirmed)
ILC/FLC	Not Applicable	Not Applicable	Not Applicable	21.50	ACUITE A3 (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A3 (Reaffirmed)
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	26.95	ACUITE A3 (Reaffirmed)
Term Loan	December, 2019	Not Applicable	October, 2025	5.80	ACUITE BBB-/ Stable (Assigned)
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE A3 (Assigned)
Post Shipment Finance	Not Applicable	Not Applicable	Not Applicable	23.00	ACUITE A3 (Assigned)
ILC/FLC	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A3 (Assigned)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A3 (Withdrawn)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.25	ACUITE A3 (Withdrawn)
Corporate Loan	Not Applicable	Not Applicable	Not Applicable	13.50	ACUITE BBB- (Withdrawn)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	45.70	ACUITE BBB-/ Stable (Reaffirmed)

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