

## Press Release

Foods and Inns Limited

June 28, 2021

Rating Reaffirmed



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

\* Refer Annexure for details

### Rating Rationale

Acuité has reaffirmed the 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**) on the Rs.206.00 crore bank facilities of Foods and Inns Limited (FIL). The outlook is '**Stable**'.

#### About the rated entity

FIL, incorporated in 1967, is a Mumbai based company engaged in processing of fruit pulp, natural spray and dried fruit/vegetable powder. The company has seven manufacturing facilities, three located at Chitoor (Andhra Pradesh), two in Gonde (Maharashtra) and one each in Valsad (Gujarat) and Sinner (Maharashtra). The company also exports to Europe, Middle East, USA, Japan, Africa and China. The company is listed in BSE and NSE.

#### Analytical Approach

Acuite has considered a consolidated view of financial and business risk profile of Foods and Inns Limited and its subsidiary FNI Asia PTE Limited, Singapore. The consolidation is on account of common management, similarities in line of business and significant operation and financial synergies. Extent of consolidation: Full

#### Key Rating Drivers

##### Strengths

- **Experience management and established track record of operation**

FIL was incorporated in 1967 and later got listed in 1970. It has seven manufacturing units spread across three states (fruit growing regions) and eight warehouses. The company is headed by Mr. Bhupendra Dalal (Chairman) who has over four decades of experience in this line of business. The group further has a long standing relationship with customers and suppliers. The long track record of operations has enabled the group to diversify its product range and packaging as per the market demand.

- **Reputed client base**

The company has a reputed clientele base such as Hindustan Coca Cola Products Limited and Pepsico India Private Limited which constituted to around 27.92% of total operating income in FY21 vis-à-vis 29.49% in FY20. The company has also been adding new client year on year. This apart, the company also caters to foreign clients such as Al Buheira Lacnor (UAE), AG Barr PLC (UK), Tropimco S.A. (France). The existing client have been associated with the company for more than a decade which has helped the company in growing its market and secure repeated orders. Further, the exports constituted to about 54.34% of total operating income in FY2021 against that of 56.43% in FY2020. The company has been maintaining balance between domestic and export segment in order to minimize future negative impact of any particular segment.

- **Moderate financial risk profile**

The group's financial risk profile albeit deteriorated marginally during FY2021, the same continues to remain at moderate level. The debt- equity ratio continues to remain below unity. The TOL/TNW remained at similar level at 1.39 times during FY2021 vis-à-vis FY2020. The interest coverage ratio also continues to remain at

similar level at 2.10 times (FY2020: 2.18 times). The tangible net worth of the company has increased to Rs.169.31 crore in FY2021 against Rs.166.05 crore in FY2020.

However, Foods and Inns Limited has undertaken capex which is being funded through combination of debt, Govt. grant and internal accruals. Hence, with the incremental debt, the total debt/EBITDA is expected to deteriorate. Thus, the group's ability to maintain Debt/EBITDA, by achieving the projected revenue remains key rating sensitivity.

## **Weaknesses**

- **Moderate financial performance with decline in profitability level**

The group reported total operating income of Rs. 372.80 crore in FY2021 as against Rs. 392.61 crore in FY2020, registering y-o-y de-growth of 5.05%. This is on account of impact of COVID-19 induced circumstances, wherein the group faced issues w.r.t the availability of mangoes, logistic issues during lockdown and scarcity of labor on account of labor migration.

In line with decline in operating income in FY2021, the EBITDA also declined from Rs.36.76 crore in FY2020 to Rs.31.18 crore in FY2021. Nevertheless, the EBITDA margin continuous to remain healthy at 8.36% in FY2021 albeit marginal decline against FY2020 (9.36%). The PAT remained at Rs.3.93 crore in FY2021 as against Rs.11.09 crore in FY2020. The same is on account of increase in interest expenses due to increase in debt levels.

- **Working capital intensive operations**

The operations of group are working capital intensive operations marked by Gross Current Asset (GCA) of 254 days in FY2021 as compared to 241 days for FY2020. The receivables and inventory period remained at moderate level of 142 days (PY:144 days) and 81 days (PY:79 days) respectively as on March 31, 2021. However, the payable days declined to 92 days as on March 31, 2021 against 112 days in March 31, 2020. The average bank limit utilization remained at higher level at 98 percent for the past trailing 7 months ended April 2021.

Acuite believes that efficient working capital management will be crucial to the group in order to maintain a healthy liquidity profile.

- **Debt funded capex**

FIL has undertaken greenfield project in Gujarat w.r.t the setting up of Frozen line, Canning line, Aseptic line and Tetra Recart at an aggregate cost of Rs.32.0 crore. The same is expected to be funded through term loan, Govt. grant and internal accruals. The company has received sanction of term loan of Rs.24.0 crore which is yet to be disbursed. Initially, the company will draw-down entire Rs. 24 crore which will be later prepaid as and when the company will receive grant from Govt. The expected Government grant will directly come in escrow account which has been set up for the specific purpose. The entire capex is expected to be completed by April 2022. However, one part of the project i.e Tetra Recart, which is being funded by internal accruals is expected to be completed by October 2021. Hence, the timely completion of project within estimated timeline and cost and company's ability to monetize the project will remain key rating sensitivities.

- **Seasonal nature of business**

The company operates in seasonal industry and hence remain vulnerable to agro climatic risk. As the company deals with fruits and vegetables, the prices of fruit pulp are vulnerable to vagaries of nature. Further, as mango pulp accounts for around 75% of total sales, Acuite believes that company's ability to diversify its product base shall remain key sensitivity.

- **Exposed to foreign exchange fluctuations risk**

The company exports 55 percent of the sales 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 packing credit facility 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.

### Rating Sensitivities

- The completion of project within estimated timeline and cost and company's ability to monetize the same, thereby improving operating income and profitability margins.
- Any incremental increase in debt and deterioration of working capital cycle leading to stressed liquidity position.

### Material Covenants

None

### Liquidity Position: Adequate

The group has an adequate liquidity position marked by healthy net cash accruals against its maturing debt obligations. The group generated NCA of Rs.16.42 crores for FY2021 as against Rs.23.52 crores for FY2020. The total debt obligation in current fiscal amounts to Rs.7.78 crore. The group is expected to generate Net cash accruals between Rs.18.0- Rs.23.0 crore during the period FY22-24 against debt obligation in the range of Rs.5.0 –Rs.9.0 crore during the period. FIL is further expected to incur capex of Rs.32.0 crore which is being funded through debt, Govt. Grant and Internal accruals. This apart, the group also has cash and bank balance of Rs. 10.0 crores for the year ending March 31, 2021 against Rs.2.39 crore in FY2020. The current ratio remained at similar level at 1.15 times for year ending FY2021 against 1.17 times for year ending FY2020. Acuite believes that short term liquidity is stretched with fund-based working capital utilisation at higher level of 98.64% for 7 months ending April 2021. Further, the company has also been utilising the cash flow from operations for capex in FY20-21.

### Outlook: Stable

Acuite believes that the group will continue to maintain a 'Stable' outlook over near to medium term owing to its established market position and experienced management. The outlook may be revised to 'Positive' in case the company achieves higher than expected growth in revenues and improvement in profitability, working capital management and debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of a significant decline in revenues and operating profit margins, or deterioration in the capital structure and liquidity position on account of higher-than-expected debt and working capital requirements.

### About the Rated Entity - Key Financials

	Unit	FY21 (Provisional)	FY20 (Actual)
Operating Income	Rs. Cr.	372.80	392.61
PAT	Rs. Cr.	3.93	11.09
PAT Margin	(%)	1.05	2.82
Total Debt/Tangible Net Worth	Times	0.97	0.81
PBDIT/Interest	Times	2.10	2.81

### 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>
- Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies - <https://www.acuite.in/view-rating-criteria-60.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
30-Mar-2020	Cash Credit	Long Term	10.55	ACUITE BBB-/Stable (Reaffirmed)
	Cash Credit	Long Term	23.50	ACUITE BBB-/Stable (Reaffirmed)
	Term Loan	Long Term	8.00	ACUITE BBB-/Stable (Reaffirmed)
	Letter of Credit	Short Term	21.50	ACUITE A3 (Reaffirmed)
	Bank Guarantee	Short Term	1.00	ACUITE A3 (Reaffirmed)
	Packing Credit	Short Term	26.95	ACUITE A3 (Reaffirmed)
	Term Loan	Long Term	5.80	ACUITE BBB-/Stable (Assigned)
	Packing Credit	Short Term	30.00	ACUITE A3 (Assigned)
	Post Shipment Credit	Short Term	23.00	ACUITE A3 (Assigned)
	Letter of Credit	Short Term	10.00	ACUITE A3 (Assigned)
	Letter of Credit	Short Term	1.00	ACUITE A3 (Withdrawn)
	Bank Guarantee	Short Term	0.25	ACUITE A3 (Withdrawn)
07-Jan-2019	Term Loan	Long Term	13.50	ACUITE BBB- (Withdrawn)
	Proposed Bank Facility	Long Term	45.70	ACUITE BBB-/Stable (Reaffirmed)
	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)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
17-Oct-2017				(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)
	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)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
	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. Cr.)	Ratings/Outlook
Open Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.55	ACUITE BBB- / Stable (Reaffirmed)
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	26.95	ACUITE A3 (Reaffirmed)
Term Loan	June, 2018	Not Applicable	May, 2025	4.73	ACUITE BBB- / Stable (Reaffirmed)
Term Loan	December, 2019	Not Applicable	October, 2025	3.46	ACUITE BBB- / Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	23.50	ACUITE BBB- / Stable (Reaffirmed)
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE A3 (Reaffirmed)
Post Shipment Finance	Not Applicable	Not Applicable	Not Applicable	60.00	ACUITE A3 (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)
ILC/FLC	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A3 (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	14.31	ACUITE BBB- / Stable (Reaffirmed)

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