

Press Release

Fanidhar Mega Food Park Private Limited

August 19, 2021



Rating Reaffirmed and Withdrawn

Total Bank Facilities Rated*	Rs.52.00 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable (Reaffirmed and Withdrawn)
Short Term Rating	ACUITE A4 (Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long-term rating of **'ACUITE BB-' (read as ACUITE double B minus)** on the Rs.52.00 Cr. bank facilities of Fanidhar Mega Food Park Private Limited (FMFP). The outlook is **'Stable'**.

Further, Acuite has withdrawn the long term of **'ACUITE BB-' (read as ACUITE double B minus)** and the short term rating of **'ACUITE A4' (read as ACUITE A four)** on the Rs.4.00 Cr. bank facilities of Fanidhar Mega Food Park Private Limited (FMFP).

The rating continues to reflect the extensive experience of the management supported by funding supported from the management and the strategic location of the project. However, these strengths are partially offset by offtake risk and project implementation risk as the COD has been extended by 18 months.

About the Entity

FMFP was incorporated in 2010 as a special purpose vehicle (SPV), promoted by Mr. Krunal Patel, Mr. Rushabh Patel and Mr. Karamjit Singh Randhawa for establishment of an integrated food processing park in Mehsana, Gujarat under the 'Mega Food Parks Scheme' by Ministry of Food Processing Industries (MoFPI), GOI.

FMFP owns and runs a mega food park with an aim to provide a platform for establishing backward and forward integration linkages covering the entire food processing value chain from the farm to the market with a cluster based approach based on a hub and spokes model. The food park is equipped with the latest food processing technologies to manufacturers and marketers for international tie-ups.

Analytical Approach

Acuite has considered the standalone view of the business and financial risk profile of FMFP to arrive at the rating.

Key Rating Drivers

Strengths

• Experienced management

FMFP incorporated in 2010 by Mr. Krunal Patel, Mr. Rushabh Patel and Mr. Karamjit Singh Randhawa, is engaged in developing infrastructure for food processing industry. The promoters and the family has market presence in the food processing industry for over two decades.

Acuite believes that the company will benefit from its experienced management, which will help the company to establish relations with various stakeholders as the project scales up and operationalizes.

• Strategic location of the project and Low funding risk

FMFP is located in Mehsana, Gujarat which is well connected via major roads, airport, ports and railways infrastructure. The location is 5 Km from Ahmedabad Mehsana State Highway, 23 Km away from Mehsana Railway Station, 47 Km from Ahmedabad Airport, 348 Km from Mundra Port and 293 km from Kandla Port and 345 Km from Pipavav Port, which are the busiest commercial ports of India. The presence of the project on Delhi-Mumbai Industrial Corridor (DMIC) further enhances the connectivity to the food park.

The total cost of project has increased from ~Rs.165.00 Cr. to ~Rs.200.00 Cr. and is funded by promoters' fund

of Rs.47.03 Cr., bank loan of Rs.52.00 Cr., government grants of Rs.70.00 Cr. and remaining in the form of interest free unsecured loans from promoters and internal accruals. Increase in project cost as mentioned earlier, has been well supported by commensurate increase in funding from the promoters and lenders.

• **Demand driven model with adequate facilities and presence in agro-rich zone**

FMFP is based on a demand driven model with strong backward/forward integration linkages and sustainable supply chain. The objective of FMFP is to facilitate the establishment of the integrated value chain, with processing being as its core function. The supply chain is established on farm primary processing centre and collection centres for aggregation of the produce at village level, which would be linked to the central processing centre through appropriate produce aggregation facility and adequate transport.

The Company has a dry warehouse storage facility of 6220 MTPA, under construction cold storage facility of 5000 MTPA, under construction frozen storage facility of 2000 MTPA, Multi fruit processing line of 2 TPH, Sorting line of 2 TPH, IQF Line of 1 TPH and along 12 TPD processing line of Potato Flakes. The catchment area of the project includes the following districts: Kheda, Vadodara, Sabarkantha, Banaskantha, Gandhinagar. These areas are said to have abundant supply of potatoes, chillies and vegetables. These is expected to provide adequate demand for FMFP over the medium term.

Weaknesses

• **Project Implementation Risk and Offtake Risk**

The project completion and the DCCO has been delayed by 2 years from initial Date of COD, February 2020 to August 2022. Along with the time extension, the project has also witnessed cost overrun by ~Rs.35 Cr. with initial project cost of Rs.165.79 Cr. and revised cost of Rs.200.09 Cr.. Time Delays and cost overruns are majorly on account of delays in land acquisition, and the impact of Covid-19.

The development of Mega Food Park started from August 2018 with earlier envisaged total cost of Rs.165.79 crore towards the project. The project is has incurred total cost of Rs.156.81 Cr. till date of the revised total cost of Rs.200.09 Cr. and is expected to be completed by March, 2022.

The project remains exposed to market risks for leasing out the total area of 26.93 acre to processing units and the fact that supply chain with raw material suppliers and off take arrangements have been entered for partially constructed capacity. Although, the company has given allotment letter for 18.51 acre to three processing units and there are various small players in the market operating in food processing there is need and demand from neighbouring districts such as Patan, Ahmedabad, Kheda, Gandhinagar, Vadodra etc. which will indeed mitigate the risk to an extent

Liquidity position: Adequate

FMFP is expected to commence its commercial operations in March 2022. The project cost of Rs.200.09 crore is funded by promoter contribution of Rs.47.03 crore, term loan of Rs.52.00 crore, grant from government of Gujarat of Rs.20.00 crore, grant from MoFPI of Rs.50.00 crore, interest free unsecured loan of Rs.27.00 crore and internal accruals of Rs.4.06 crore. The project also has a DSRA repayment mechanism of 1-quarter instalment and 2-quarters of interest obligations to ensure timely repayments.

The liquidity position of FMFP has remained adequate with adequate net cash accruals to service debt obligations. FMFP generated cash accruals of Rs.7.90 Cr in FY2021 (Provisional) from the lease rentals generated as against the repayment obligation of Rs.1.61 Cr. for the same period. The cash accruals are expected to be more than Rs.10.00 Cr. for FY2022-24 as against the repayment obligations of less than Rs.8.00 Cr for the same period. Current ratio of the company stood at 1.89 times as on March 31, 2021 (Provisional). Cash and Bank balance stood at Rs.7.94 Cr. as on March 31, 2021 (Provisional).

Acuite believes that the company's liquidity position will depend mainly on timely project completion. Further, with the expected steady flow of lease income as well as expected stable occupancy rates, the liquidity is expected to remain adequate over the medium term.

Rating Sensitivities

- Timely completion of the project.
- Lower-than-expected revenue and profitability.
- Generate adequate cash flows to service debt obligations

Material Covenants

None

Outlook: Stable

Acuite believes that FMFP will maintain a 'Stable' credit profile over the medium term on the back of established presence of promoters in food processing industry. The outlook may be revised to 'Positive' in case the company is able to demonstrate higher than expected growth in scale of operations in a profitable manner. Conversely, the outlook may be revised to 'Negative' in case of any further delays in project implementation or cost overrun impacting the financial risk profile of the company.

About the Rated Entity - Key Financials

Particulars	Unit	FY21 (Provisional)	FY20 (Actual)
Operating Income	Rs. Cr.	13.95	1.26
PAT	Rs. Cr.	7.00	0.12
PAT Margin	(%)	50.22	9.41
Total Debt/Tangible Net Worth	Times	0.60	0.73
PBDIT/Interest	Times	3.30	1.43

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>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-51.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
06-Aug-2021	Term Loan	Long Term	45.00	ACUITE BB- / Stable (Reaffirmed)
	Proposed Term Loan	Long Term	2.50	ACUITE BB- / Stable (Reaffirmed)
	Proposed Bank Guarantee	Short Term	1.50	ACUITE A4 (Reaffirmed)
24-Oct-2019	Term Loan	Long Term	45.00	ACUITE BB- / Stable (Reaffirmed)
	Proposed Term Loan	Long Term	2.50	ACUITE BB- / Stable (Reaffirmed)
	Proposed Bank Guarantee	Short Term	1.50	ACUITE A4 (Reaffirmed)
17-Aug-2018	Term Loan	Long Term	45.00	ACUITE BB- / Stable (Assigned)
	Proposed Term Loan	Long Term	2.50	ACUITE BB- / Stable (Assigned)
	Proposed Bank Guarantee	Short Term	1.50	ACUITE A4 (Assigned)

***Annexure – Details of instruments rated**

Lender Name	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
State Bank of India	Term Loan	August, 2017	10.20%	September, 2028	45.00	ACUITE BB- / Stable (Reaffirmed)
State Bank of India	Term Loan	February, 2021	10.20%	September, 2028	7.00	ACUITE BB- / Stable (Reaffirmed)
Not Applicable	Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE BB- (Withdrawn)
Not Applicable	Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE A4 (Withdrawn)

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About Acuité Ratings & Research:

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