

Press Release

Fanidhar Mega Food Park Private Limited

November 15, 2022



Rating Assigned, Downgraded and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	4.00	-	ACUITE A4 Reaffirmed
Bank Loan Ratings	48.00	ACUITE B+ Stable Downgraded	-
Bank Loan Ratings	9.00	ACUITE B+ Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	61.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned and downgraded the long-term rating to '**ACUITE B+**' (read as **ACUITE B plus**) from '**ACUITE BB-**' (read as **ACUITE double B minus**) and reaffirmed the short term rating of **ACUITE A4** (Read as **Acuite A Four**) to the Rs.61.00 Cr. bank facilities of Fanidhar Mega Food Park Private Limited (FMFP). The outlook is '**Stable**'.

Rationale for downgrade

The rating is downgraded on account of delays in completion of on-going project and liquidity challenges faced by the company. The rating continues to reflect the extensive experience of the management and inherent strength of the project being undertaken, driven by its strategic location and demand driven revenue model.

About the Company

FMFP was incorporated in 2010 as a special purpose vehicle (SPV), promoted by Mr. Krupal 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 will own and run the 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 farm to market with a cluster based approach based on a hub and spokes model. The food park will be equipped with the latest food processing technologies to manufacturers and marketers for international tie-ups.

Analytical Approach

Acuite has considered the standalone financial and business risk profiles 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. Acuité 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.

> Demand driven model with adequate facilities and strategic location of the project

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 project is expected to be completed by March, 2023 at a total cost of Rs.215 Cr. As on September, 2022, cost incurred on the project stood at Rs.176 Cr, which was funded by debt of ~Rs.53 Cr and balance by promoter funds and internal accruals.

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.

As on April 2021, a part of the total project has become operational and has been leased out to Gujarat based Hyfun Group. FMFP also manufactures potato flakes for the Group at its facility on job work basis.

Weaknesses

> Project Implementation Risk and Offtake Risk

The project completion and the DCCO which had been earlier delayed by 2 years from initial COD, of February 2020 to August 2022, is further delayed by another seven months and is extended to March 2023. Along with the time extension, the project has also witnessed cost overrun. The project which was initially expected to be completed at a total cost of Rs.165 Cr is expected to cost Rs.215 Cr by the end of March 2023. As on September, 2022, cost incurred on the project stood at Rs.176 Cr, which was funded by debt of ~Rs.53 Cr and balance by promoter funds and internal accruals.

The project remains exposed to market risks for leasing out balance area to processing units. As on date, majority of the operational area is leased out to Hyfun Group, exposing the company to client concentration risks. Further, the company faces stiff competition from players operating in neighboring districts of Patan, Ahmedabad, Kheda, Gandhinagar, Vadodara etc.

Rating Sensitivities

- > Timely completion of project
- > Lower-than-expected revenue and profitability.
- > Ability to generate adequate cash flows to service debt obligations.

Material covenants

None.

Liquidity Position: Poor

FMFP has poor liquidity position marked by low net cash accruals against its maturing debt obligations. The company generated cash accruals of Rs.4.46 crore in FY2022 compared against no maturing debt obligations for the same period. However, delays were noted in servicing of debt obligation during H1FY23 which were later regularized. The cash accruals of the company are estimated to remain around Rs.4.67-5.64 crore during 2023-25 period while its matured debt obligations is estimated to be in the range of 6.43 – 7.43 crore during the same period. The average utilization of the working capital limits of the company remained on the higher side of ~94.16 percent in last five months ended July' 22 Furthermore, the current ratio of the Company stood low at 0.94 times and the unencumbered cash and bank balances of Rs.1.60 crore as on March 31, 2022.

Outlook: Stable

Acuité believes that FMFP will maintain a 'Stable' outlook over the medium term on the back of established presence of its 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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	35.36	13.95
PAT	Rs. Cr.	(10.91)	7.52
PAT Margin	(%)	(30.85)	53.92
Total Debt/Tangible Net Worth	Times	0.79	0.58
PBDIT/Interest	Times	2.02	11319.65

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

Not Available

Any other information

None

Applicable Criteria

- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
19 Aug 2021	Proposed Bank Guarantee	Short Term	1.50	ACUITE A4 (Withdrawn)
	Term Loan	Long Term	7.00	ACUITE BB- Stable (Reaffirmed)
	Proposed Term Loan	Long Term	2.50	ACUITE BB- (Withdrawn)
	Term Loan	Long Term	45.00	ACUITE BB- Stable (Reaffirmed)
06 Aug 2021	Proposed Term Loan	Long Term	2.50	ACUITE BB- Stable (Reaffirmed)
	Term Loan	Long Term	45.00	ACUITE BB- Stable (Reaffirmed)
	Proposed Bank Guarantee	Short Term	1.50	ACUITE A4 (Reaffirmed)
24 Oct 2019	Proposed Bank Guarantee	Short Term	1.50	ACUITE A4 (Reaffirmed)
	Proposed Term Loan	Long Term	2.50	ACUITE BB- Stable (Reaffirmed)
	Term Loan	Long Term	45.00	ACUITE BB- Stable (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	4.00	ACUITE A4 Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	6.00	ACUITE B+ Stable Downgraded
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	9.00	ACUITE B+ Stable Assigned
Not Applicable	Not Applicable	Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	0.53	ACUITE B+ Stable Downgraded
State Bank of India	Not Applicable	Term Loan	Aug 1 2017 12:00AM	12.10	Sep 30 2028 12:00AM	Simple	41.47	ACUITE B+ Stable Downgraded

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About Acuité Ratings & Research

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