



Press Release

Fair Food Overseas Limited

(Previously known as Fair Food Overseas Private Limited)

September 04, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Facilities	45.07	IVR BBB-/ Stable (IVR Triple B Plus Stable)	IVR BBB-/ Stable (IVR Triple B Plus Stable)	Reaffirmed	Simple
Long Term Facilities	8.00	IVR BBB-/ Stable (IVR Triple B Plus Stable)	-	Assigned	Simple
Proposed - Long Term Facilities	26.51	IVR BBB-/ Stable (IVR Triple B Plus Stable)	-	Assigned	Simple
Total	79.58 (Rs. Seventy-Nine Crore and Fifty-Eight lakhs only)				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics Ratings has reaffirmed its rating assigned to the bank facilities of Fair Food Overseas Limited (FFOL). Infomerics Ratings has also assigned ratings of IVR BBB- with stable outlook for long term enhanced facilities and proposed facilities of FFOL. The rating factors in extensive experience of the promoters in agro products business, locational advantage, favourable demand and improvement in scalability coupled with moderate capital structure of the company in FY24 (Provisional). However, these rating strengths remain constrained by susceptibility to agro-climatic risks and changes in government regulations and thin profitability margins of the company.

‘Stable’ outlook assigned on account of regular demand of rice in domestic as well as in global market and experienced promoters in the line of rice milling & processing business.

Key Rating Sensitivities:

Upward Factors



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- Significant and sustained improvement in the scale of operations and profitability while maintaining the debt protection metrics and liquidity.

Downward Factors

- Any decline in operating income and/or profitability leading to deterioration in overall financial risk profile of the company
- Any debt funded capex leading to deterioration in the debt protection parameters and/or the liquidity position of the company.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Extensive experience of the promoters in agro products business**

The promoter i.e., Mehani family has a considerable experience in the agro products business. While Mr. Daulatram Mehani and Mr. Shanker Mehani have more than four decades of experience in this business, Mr. Kamal Mehani and Mr. Kishore Mehani are having more than two decades of experience in rice milling industry. On the back of this long-standing experience of the promoters, the company has developed established and healthy relationships with its customers and suppliers, which enables the company to receive repeat orders.

- **Locational advantage on being present in the rice growing Central India**

FFOL is engaged in milling and processing of rice. The milling unit is favourably located in the rice growing Central India Region of Katni, Madhya Pradesh implying proximity to paddy growers. The presence in these regions thus gives a competitive advantage in terms of easy availability of paddy, lower freight, and favourable pricing terms. Further, most of the customers also remain in the vicinity of the processing units.

- **Favourable demand for rice and rice products**

Rice being a staple diet mainly in most part of world, chiefly the eastern hemisphere of the globe, its demand prospects remain favourable. India accounts for second largest rice producer and consumer in the world. Globally, given the spread of Indian diaspora also supports the demand for paddy and its products.



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- **Improved scalability and moderate capital structure of the company**

FFOL's topline is continuously improving year on year. In FY24 (refers to the period from April 01, 2023, to March 31, 2024), as per the provisional financials FFOL's top line improved by 14.59% on account of increased demand of rice in market. Company reported topline of Rs.421.87 crore in FY24 compared to Rs.368.15 crore in FY23. Company's capital structure remained moderate in FY24. Long term debt equity ratio stood at 0.21x as on March 31st, 2024 (0.45x as on March 31st, 2023), overall gearing ratio stood and TOL/TNW ratio stood at 0.94x and 1.21x respectively as on March 31st, 2024. Interest coverage ratio stood at 3.13x in FY24 while DSCR stood at 1.96x in FY24.

Key Rating Weaknesses

- **Susceptibility to agro-climatic risks and changes in the government regulations**

The rice milling industry is susceptible to agro-climatic risks, which can affect the availability of paddy in adverse weather conditions. Fluctuations in supply, in turn, expose FFOL to price volatility risks. Moreover, changes in the Government regulations pertaining to the rice industry can impact the industry dynamics

- **Competitive nature of the industry**

The electrical contracting industry is highly crowded with presence of many players with varied statutes & capabilities. While the competition is perceived to be healthy, significant price cut by few players during the bidding process is a matter of serious concern for the sustenance and healthy growth of the industry.

- **Thin profitability margins of the company**

The company operating margins remain thin given the limited value addition which also has subsequently impacted the net margins. Company reported an operating margin and PAT margin of 4.23%, 2.59% respectively in FY24. (FY23: 5.01%, 2.55%).

Analytical Approach: Standalone



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Applicable Criteria:

[Rating Methodology for Manufacturing companies](#)

[Criteria on assigning rating outlook](#)

[Policy on Default Recognition and Post-Default Curing Period](#)

[Complexity Level of Rated Instruments/Facilities](#)

[Financial Ratios & Interpretation \(Non- Financial Sector\)](#)

Liquidity – Adequate

The liquidity position of FFOL is adequate considering that the expected gross cash accruals of the company are likely to remain favourable relative to its debt-servicing obligations during FY25-FY27. Moreover, the company does not have any major capital expenditure plan in the near to medium term. This is expected to support the company's liquidity position. Further, FFOL has reported adequate current ratio of 1.85x as on March 31, 2024 (provisional) to meet its near-term cash requirements. FFOL's average consolidated working capital utilization for twelve months ended May 2024 stands at 97%.



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About the Company

Fair Food Overseas Limited (previously known as Fair Food Overseas Private Limited) converted into public limited company (unlisted) in September 2023 which is based out of Katni, Madhya Pradesh was incorporated in the year 1993 by late Mr. Danvendra Mehani and Mr. Daulatram Mehani. FFOL is engaged in rice milling and processing. The company is an ISO 22000:2018 certified, HACCP accredited and having license for SFDA (Saudi Food and Drug Authority). The company is having eight production lines which have a total capacity of 28 MT per hour (20MT for Paddy to Rice and 8 MT for Rice to Rice). In addition, the company has a 20,000 MT warehouse facility which is used for storing raw material.

Financials (Standalone):

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Provisional
Total Operating Income	368.15	421.87
EBITDA	18.46	17.84
PAT	9.50	11.00
Total Debt	62.75	60.00
Tangible Net Worth	52.98	63.67
EBITDA Margin (%)	5.01	4.23
PAT Margin (%)	2.55	2.59
Overall Gearing Ratio (x)	1.18	0.94
Interest Coverage (x)	3.56	3.13

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					July 12, 2023	November 02, 2023	August 20, 2021
					Rating	Rating	Rating
1.	Cash Credit	Long Term	48.00	IVR BBB-/ Stable	IVR BBB-/ Stable (Upgraded)	IVR BB+ (Issuer not cooperating)	IVR BBB-/ Stable



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					July 12, 2023	November 02, 2023	August 20, 2021
					Rating	Rating	Rating
2.	Term Loan	Long Term	5.07	IVR BBB-/ Stable	IVR BBB-/ Stable (Upgraded)	IVR BB+ (Issuer not cooperating)	IVR BBB-/ Stable
3.	Proposed Cash Credit	Long Term	26.51	IVR BBB-/ Stable	-	-	-

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Informatics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	-	May 2027	5.07	IVR BBB-/ Stable
Cash Credit	-	-	-	-	48.00	IVR BBB-/ Stable
Cash Credit (Proposed)	-	-	-	-	26.51	IVR BBB-/ Stable

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-FairFood-sep24.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.