



Press Release

Fair Food Overseas Private Limited

July 12, 2023

Ratings

Instrument Facility /	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facility	49.58 (Reduced from 51.53)	IVR BBB-/ Stable (IVR triple B minus with Stable outlook)	Revised and removed from ISSUER NOT COOPERATING category	Simple
Total	49.58 (INR Forty Nine crores and Fifty Eight lacs only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The revision of the ratings assigned to the bank facilities of Fair Food Overseas Private Limited (FFOPL) continue to factors in the extensive experience of the promoters in the agro products business and the location advantage with its milling unit located in the rice growing Katni, Madhya Pradesh. The rating also factors in moderate capital structure and debt protection metrics of the company and favourable demand for rice and rice products. The ratings, however, are constrained by exposure to the inherent thin profitability margins in the paddy industry and susceptibility to agro-climatic risks and changes in the government regulations. The rating was migrated to ISSUER NOT COOPERATING category as Fair Food Overseas Private Limited had not submitted all the required information for surveillance under the stipulated timelines. Subsequently, FFOPL has cooperated and provided the information leading to removal of the rating from ISSUER NOT COOPERATING category.

Key Rating Sensitivities:

Upward Factors

- Significant improvement in profitability metrics and sustenance of the same
- Reduction in working capital level borrowings
- Continuous improvement in the capital structure



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Downward Factors

- Dip in operating income and/or profitability impacting the debt coverage indicators and liquidity
- Further elongation of the operating cycle leading to weakening in liquidity position
- Any additional debt burden than expected pressurizing the capital structure and the coverage indicators

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

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

The promoter 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.

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

FFOPL 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.

- **Moderate capital structure and debt protection metrics of the company**

FFOPL's capital structure remained moderate in FY23. Company reported overall gearing ratio and adjusted TOL/TNW of 0.80x, 0.91x respectively in FY23. (FY22: 0.79x, 0.94x). Further FFOPL's DSCR stood comfortable at 1.82x (FY22: 1.82x). Company's interest coverage ratio stands at 2.47x in FY23. (FY22: 2.39x). Company's interest coverage ratio improved mainly due to improvement in EBITDA in FY23.



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- **Favorable 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.

Key Rating Weaknesses

- **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 3.16%, 1.10% respectively in FY23. (FY22: 3.29%, 1.13%).

- **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 FFOPL to price volatility risks. Moreover, changes in the Government regulations pertaining to the rice industry can impact the industry dynamics.

Analytical Approach: Standalone

Applicable Criteria:

[Criteria for assigning outlook](#)

[Rating Methodology for manufacturing companies](#)

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

Liquidity – Adequate

The liquidity position of the company is adequate on account of the fact that the expected gross cash accruals of the company are likely to remain favourable relative to its debt-servicing obligations during FY24-FY26. 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, FFOPL has reported adequate current ratio at 1.88x as on March 31, 2023 to meet its near-term cash requirements. FFOPL's average working capital utilization



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for twelve months ended April 2023 stands comfortable at 98%. RTIPL's has cash and bank balance of Rs.0.16 crore as on March 31st 2023.

About the Company

Fair Food Overseas Pvt. Ltd. (FFOPL) based out of Katni, Madhya Pradesh was incorporated in the year 1993 by late Mr. Danvendra Mehani and Mr. Daulatram Mehani. FFOPL is engaged in rice milling and processing. The company is an ISO 9001:22000 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 36 MT per hour (28MT 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):

Rs in Crore

For the Year ended*/As on	31-March-22 (Audited)	31-March-23 (Provisional)
Total Operating Income	334.24	374.98
EBITDA	11.01	11.84
PAT	3.78	4.12
Total Debt	56.89	62.82
Tangible Net Worth (Adj.)	56.15	61.26
EBITDA Margin (%)	3.29	3.16
PAT Margin (%)	1.13	1.10
Overall Gearing ratio(X) (Adj.)	0.79	0.80

* Classifications as per Infomerics standards

Status of non-cooperation with previous CRA: N.A

Any other information: N.A.

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 (November 2, 2022)	Date(s) & Rating(s) assigned in 2021-22 (August 20, 2021)	Date(s) & Rating(s) assigned in 2020-21
1.	Cash Credit	Long Term	40.00	IVR BBB-/ Stable	IVR BB+	IVR BBB-/ Stable	-



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					(ISSUER NOT COOPERATING)		
2.	Term Loans	Short Term	5.58	IVR BBB-/Stable	IVR BB+ (ISSUER NOT COOPERATING)	IVR BBB-/Stable	-
3.	Term Loan-CGECL	Short Term	4.00	IVR BBB-/Stable	IVR BB+ (ISSUER NOT COOPERATING)	IVR BBB-/Stable	-

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) 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



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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	40.00	IVR BBB-/ Stable
Term Loans	-	-	Up to May 2027	9.58	IVR BBB-/ Stable

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.



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Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-FairFood-jul23.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: 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.

