



## Press Release

**Tanvi Foods (India) Ltd.**

**November 20, 2020**

### **Rating**

Sl. No.	Facility	Amount (Rs. Crore)	Rating	Rating Action
1	Long Term Bank Facilities	24.20	IVR BB+/ Stable (IVR Double B Plus with Stable Outlook)	Assigned
		<b>24.20</b>		

### **Details of Facilities are in Annexure 1**

### **Detailed Rationale**

The rating assigned to the bank facilities of Tanvi Foods (India) Ltd (TFIL) derives comfort from its long track record of operations under experienced promoters, established own brand and association with other reputed brands, sustained improvement in scale of operations and moderate capital structure coupled with satisfactory debt protection metrics. These rating strengths are partially offset by susceptibility of its profit margins to raw material price movements, intense competition in the industry, project execution risk and working capital intensive nature of its operation.

### **Rating Sensitivities**

#### **Upward factors**

- More than expected growth in scale of business with improvement in profitability metrics thereby leading to improvement in cash accruals and debt protection metrics on a sustained basis.
- Maintenance of capital structure with overall gearing of less than 1x with improvement in debt protection metrics
- Improvement in working capital cycle leading to improvement in liquidity

#### **Downward Factors**

- Dip in operating income and/or profitability impacting the debt coverage indicators on a sustained basis and subdued industry scenario
- Further delays in project execution
- Drop in working capital management impacting the liquidity and moderation in overall gearing to more than 1.50 times.



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### Detailed Description of Key Rating Drivers

#### Key Rating Strengths

- **Experienced promoter with long operational track record**

The promoters have over two decades of experience in the respective industry. Mr. Sarat Chandra Babu Adusumilli (Chairman) is at the helm of affairs of the company with support from Mrs. Vasavi Adusumilli, Managing Director, other two directors and a team of experienced professionals. Furthermore, the company has started operation from 2007, thus having over a decade of operational track record.

- **Reputed own brand name and association with other reputed brands**

The company is engaged in manufacturing of frozen foods like Corn Samosa, Corn Spring Roll, frozen corn etc and is also engaged in distribution of food and beverage products of other manufactures. The company is selling its products under its own brands "Frozen King's" and "Corn Club" through Big Bazaar, More, D Mart, Spencer's, Big Basket, Relience Fresh etc. The company also distributes F&B products of McCain Foods India Ltd, Switz International Pvt Ltd, Parag Foods Limited etc.

- **Sustained improvement in scale of operations**

The company's revenue profile comprise revenue from own manufacturing sales and revenue from trading. Gradually, the company has given impetus to increase revenue from its own manufacturing sales as the same fetch higher margins. Total operating income of the company registered a CAGR of ~13% during FY18-FY20 with a y-o-y growth of ~11% in FY20. The growth was driven by increase in sale of own brand products and corn processing backed by increase in demand. During 7MFY21, the company has turnover of around Rs.28.50 crore.

- **Moderate capital structure coupled with satisfactory debt protection metrics**

The capital structure of the company has remained moderate over the years where debt equity ratio was at 0.59x and overall gearing ratio was at 1.01x as on March 31, 2020. Total indebtedness of the company as reflected by TOL/TNW also remained comfortable at 1.28x as on March 31, 2020. Further, the debt protection metrics of the company also moderate



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with an interest coverage ratio at 2.14x in FY20. Infomerics expects that the capital structure and debt protection metrics will continue to remain moderate in the near term.

### **Key Rating Weaknesses**

- **Margins remain exposed to raw material price movement; intense competition in the industry**

Being an agro commodity, corn prices fluctuate in accordance with the demand and supply scenario, the monsoons and other agro-climatic conditions, as well as Government regulations prevalent in the industry. Apart, the company faces stiff competition from the other established players as well as small manufacturers in the industry, which limits its pricing flexibility and bargaining power with customers.

- **Project execution risk**

The company currently executing an expansion project near Sitaramapuram village of Krishna District in Andhra Pradesh to increase the production of corn related products to 12 crore pieces per annum with a total project cost of Rs.24.27 crore. The project cost is financed by equity infusion of Rs.10.27 crore and bank financing of Rs.14.00 crore. Amount spent for the project as of October 2020 was Rs.20.35 crore and the project is expected to be completed by FY21.

- **Intense competition**

The TFIL mainly operates in southern and south-western part of India, which is a hub of corn production and comprise many similar players with limited product differentiation. Intense competition restricts the pricing flexibility of the companies. This apart, the fortune of the company is directly related with change in change in food habits and lifestyle of people. However, the above risk partially negates with the limited number of players for corn and corn products in the market. The Company has a fortune of up-scaled market space but, it relates with the Marketability scope across region(s) within turnaround.

- **Working capital intensive nature of operation**

The operation of the company is working capital intensive due to its high inventory period as the raw material is agro based products which is seasonal in nature and the company procures bulk based on availability and price opportunity. In FY19, operating cycle was remained elongated to 119 days and has further elongated to 123 days in FY20. The



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average utilisation of fund based working capital limits stood high at ~98% during the trailing 12 months ended October, 2020.

**Analytical Approach:** Standalone

**Applicable Criteria:**

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial sector)

**Liquidity: Stressed**

The liquidity position of the company is appear to be stretched marked by its working capital intensive nature of operation with elongated operating cycle and high working capital utilisation at ~98% during the past 12 months ended October 2020 indicating a limited liquidity buffer. However, TFIL has earned gross cash accruals of Rs.2.49 crore FY20 and is expected to earn gross cash accruals in the range of ~Rs.2.50-9 crore as against debt repayment obligation in the range of ~Rs.1.4-2 crore during FY21-23.

### **About the Company**

Tanvi Foods (India) Ltd. (TFIL) was incorporated in 2007 to initiate a food processing business in Andhra Pradesh. During, March 2017, TFIL converted into a Public Limited Company and got listed in BSE SME in March 2017. The company is engaged in manufacturing of frozen foods like Corn Samosa, Corn Spring Roll, frozen corn etc and also engaged in distribution of food and beverage products of other manufactures. Currently, the company has its manufacturing unit at Vijayawada, Krishna Dist. in Andhra Pradesh with installed capacity of 1,80,00,000 pieces per annum

**Financials (Standalone):**

For the year ended* / As On	(Rs. crore)	
	31-03-2019	31-03-2020
	Audited	Audited
Total Operating Income	74.35	82.41
EBITDA	5.43	5.60
PAT	1.63	1.69
Total Debt	22.96	26.87
Tangible Net worth	24.86	26.55
EBITDA Margin (%)	7.30	6.80



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PAT Margin (%)	2.19	2.05
Overall Gearing Ratio (x)	0.92	1.01

\*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 Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1	Cash Credit	Long Term	10.20	IVR BB+ / Stable	-	-	-
2	Term Loan	Long Term	14.00	IVR BB+ / Stable	-	-	-

**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](http://www.infomerics.com).

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**About Infomerics:**

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.





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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
Long Term Fund Based Limits - Cash Credit	-	-	-	10.20	IVR BB+/Stable
Long Term Fund Based Limits – Term Loan	-	-	Mar 2028	14.00	IVR BB+/Stable

### Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/lender-tanvi-20-11-20.pdf>