

Food Service India Private Limited

January 04, 2023

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	1.84	CARE BB+; Stable (Double B Plus; Outlook: Stable)	Reaffirmed
Long Term / Short Term Bank Facilities	14.00	CARE BB+; Stable / CARE A4+ (Double B Plus ; Outlook: Stable/ A Four Plus)	Reaffirmed
Total Bank Facilities	15.84 (₹ Fifteen Crore and Eighty-Four Lakhs Only)		

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

The reaffirmation of ratings assigned to the bank facilities of Food Service India Private Limited (FSIPL) considers continuing timely and regular support from the promoters. CARE expects continued support from the promoter in future as and when required. Ratings continue to derive strength from experienced promoters and management and well diversified product. These strengths are constrained by modest scale of operation, continuing operational losses with negative net-worth and significant debt, stretched liquidity position along with working capital intensive nature of operations.

Rating sensitivities

Positive factors – Factors that could lead to positive rating action/upgrade:

- Ability to generate cash profits and to meet debt repayments from operational cashflow on sustained basis

Negative factors – Factors that could lead to negative rating action/downgrade:

- Inadequate support by the promoters to support the loss-making entity

Outlook: Stable

Detailed description of the key rating drivers

Key rating strengths

Experienced promoters along with timely support from promoters

FSIPL was incorporated in November 2015, and is promoted by Mr. Ajay Mariwala (holds 89% stake) and True North Trusteeship Private Limited (TNTPL; holds 11% stake). However True North is expected to exit the company with entire stake to be bought by Mr. Mariwala. FSIPL is in initial stage of operations and the promoters are currently supporting the operations financially. Support is expected from promoters in future as and when required.

Diversified product offerings

FSIPL caters to hotels, restaurants & caterers (HORECA) through distributors. FSIPL provides HORECA outlets complete Food and Beverages (F&B) solutions through its brands like Chef's Art, Springburst, Sunbay, Marimbula, Spicefield, D'amour. The company carries out trading in the seasonings segment. Apart from trading in seasonings, the company has its own manufacturing capabilities for beverages, wets, spices, and sweet premixes.

Key rating weaknesses

Modest scale and nascent stage of operations

FSIPL derives majority of its revenue from sale to dominant institutional customers where ability to expand operating margins is limited due to high bargaining power of buyers and prevalent competition. During FY22, the company continued to report losses at PBILDT levels. The margins continued to be impacted on account of substantial employee costs and selling general & administration costs. Going forward, the company has projected to achieve PBILDT break even in FY23, however the losses will be reported at PBT level on account of interest expenses. However, there would be a consistent support from Mr. Mariwala for meeting any shortfall against mandatory expenses.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Weak financial profile

The company has a weak financial risk profile with negative net-worth due to continuing losses. The total debt of the company has increased over the past three years from Rs. 58 crore in FY19 to around Rs. 155 crore in FY22. The unsecured loan from the promoter stands at Rs. 49.45 crore as on March 31, 2022. Some of the borrowings are backed by letter of comfort from True North which is expected to be taken back, once True North exits. The ability of the company to retain or refinance those borrowings remain key monitorable.

Stretched liquidity position with operations being highly working capital intensive

On account of continuous cash losses in the company, the liquidity position remains stretched. The operations are also working capital intensive.

Liquidity: Stretched

On account of continuous cash losses in the company, the liquidity position remains stretched and the company is completely dependent on timely infusions for supporting its operations and debt servicing requirements. FSIPL's nature of business operation is working capital intensive. The fund based working capital limits remained 87% utilized by the company during the year ended October 2022. The cash and bank balance position as on March 31, 2022 is Rs. 1.67 crore. the promoters have supported the operations and debt servicing through fund infusion in the form of equity, loans and ICDs.

Analytical approach: Standalone

Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Manufacturing Companies](#)

About the company

Incorporated in November 2015, FSIPL is promoted by Mr. Ajay Mariwala (holds 89% stake) and True North Trusteeship Private Limited (TNTPL; holding 11% stake). The beneficial owner of TNTPL is True North Fund-IV (formerly known as India Value Fund-IV). FSIPL started its commercial operation from September 2016 post acquisition of food service division from VSPL vide business transfer agreement. FSIPL is engaged in business of manufacturing (in house or through third parties) and selling of spices, sharbats, gravies & sauces and bakery premixes products in domestic market as well as export markets. Manufacturing / processing facilities are located at Aleppy, Rabale, Surat, Pune and Thuravoor. FSIPL is also engaged in trading of food seasoning products. FSIPL has entered into an agreement wherein, VSPL supplies seasoning products to FSIPL on a margin basis, in accordance with the transfer pricing norms. FSIPL sells its products through independent distributors or to Hotels, Restaurants and Caterers (HORECA).

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	H1FY23
Total operating income	64.37	119.43	NA
PBILDT	-21.84	-11.51	NA
PAT	-34.39	-23.39	NA
Overall gearing (times)	-2.25	-1.80	NA
Interest coverage (times)	-1.94	-0.93	NA

A: Audited; NA: Not Available

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure-4

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	31/12/2023	1.84	CARE BB+; Stable
LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC		-	-	-	14.00	CARE BB+; Stable / CARE A4+

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Term Loan	LT	1.84	CARE BB+; Stable	-	1)CARE BB+; Stable (18-Jan-22) 2)CARE BB+; Stable (06-Apr-21)	1)CARE BBB-; Stable (06-Apr-20)	1)CARE BBB- (CW with Developing Implications) (10-May-19)
2	LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	LT/ST*	14.00	CARE BB+; Stable / CARE A4+	-	1)CARE BB+; Stable / CARE A4+ (18-Jan-22) 2)CARE BB+; Stable / CARE A4+ (06-Apr-21)	1)CARE BBB-; Stable / CARE A3 (06-Apr-20)	1)CARE BBB- / CARE A3 (CW with Developing Implications) (10-May-19)

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: NA

Annexure-4: Complexity level of various instruments rated for this company

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	Simple

Annexure-5: Bank lender details for this company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About us:

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