

## Global Farm Fresh Private Limited

March 11, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	16.38	CARE BB-; Stable; ISSUER NOT COOPERATING*	Revised from CARE BB; Stable and moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	0.50	CARE A4; ISSUER NOT COOPERATING*	Rating moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

\*Issuer did not cooperate; based on best available information.

### Rationale and key rating drivers

CARE Ratings Ltd. has been seeking information from Global Farm Fresh Private Limited (GFFPL) to monitor the rating(s) vide e-mail communications dated January 08, 2024, to February 28, 2024, and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. The rating on Global Farm Fresh Private Limited bank facilities will now be denoted as CARE BB-; Stable/CARE A4; ISSUER NOT COOPERATING\*.

**Users of this rating (including investors, lenders, and the public at large) are hence requested to exercise caution while using the above rating(s).**

The ratings assigned to the bank facilities of Global Farm Fresh Private Limited continues to be constrained due to the modest scale of operations albeit improvement in FY23 [FY refers to the period April 01 to March 31], working capital-intensive nature of operations, presence in the highly fragmented and competitive industry and vulnerability of margins to fluctuation in raw material prices. The ratings, however, continues to derive comfort from experienced promoters, diversified clientele, satisfactory capital structure and debt coverage indicators, locational advantage with presence in mango cultivation area, diversified client with established relationship and healthy demand outlook for processed food.

**Analytical approach:** Standalone

**Outlook:** Stable

### Detailed description of the key rating drivers:

At the time of last rating on April 03, 2023, the following were the rating strengths and weaknesses (updated for the information available from MCA)

### Key weaknesses

**Modest scale of operations albeit improvement in FY23:** The scale of operations of the company witnessed a growth of 45% to Rs.71.51 crore in FY23 as against the revenue of Rs.49.28 crore in FY22. However, the PBILDT margin of the company witnessed a decline to 6.29% in FY23 as against 7.31% in FY22. The fall in the PBILDT margin is due to an increase in power & fuel costs and an increase in maintenance and labour charges. The PAT margin of the company declined to 1.77% in FY23 as compared to 1.92% in FY22.

**Working capital intensive nature of operations:** The operating cycle of the company improved to 65 days in FY23 from 107 days in FY22 on account of improvement in collection period and inventory days. The company's collection days improved to 25 days in FY23 from 38 days in FY22. Further, the creditor days remained below 30 days i.e., 17 days. The company's working capital limits were fully utilised for the last twelve months ending February 2023. The fund-based limits utilisation stood at 97% and the non-fund-based limits remained unutilised.

**Presence in the highly fragmented and competitive industry:** The company is engaged in the processing of pulps and tomato paste wherein there are a large number of companies operating in a similar business. Thus, the competition among the players remains very high resulting in high fragmentation and further restricting profitability.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

**Vulnerability of margins to fluctuation in raw material prices:** The prices of agricultural commodities are volatile and are linked to production in the domestic market and the global demand-supply situation. The prices of agro commodities are also affected by the changes in government regulations and vagaries of weather. However, the effect of fluctuations in raw material prices on the profitability of GFFPL is minimized to an extent as the firm holds inventory for up to 30-40 days.

## Key strengths

**Experienced promoters with a track record of operations:** The promoters have been engaged in the food processing industry for more than two decades. Mr V. Umapathi, (Managing Director) has more than two decades of experience in this industry and is actively involved in the day-to-day operations of the company. Mr B. Ramesh Naidu (Director) has experience of 15 years in the same line of business and looks after production and other operational activities.

**Comfortable capital structure and debt coverage indicators:** The capital structure of the company stood comfortable marked by debt equity ratio which had improved from 0.29x as on March 31, 2022, to 0.26x as on March 31, 2023, on account of the timely repayment and reduction in long-term debt levels. Further, the overall gearing ratio improved to 1.00x as on March 31, 2023, from 1.09x as on March 31, 2022. The debt coverage indicators marked by total debt/GCA stood at 4.79x in FY23 (5.60x in FY22). The PBILDT/interest coverage ratio also improved to 3.37x in FY23 (3.07x in FY22).

**Location advantage with presence in mango cultivation area:** GFFPL is well connected to prominent mango growing belts. The company enjoys proximity to the mango-growing areas of Chittoor. Hence, it derives benefits from lower logistics expenditure (both on transportation and storage), easy availability of labour and procurement of mangoes at competitive prices, and consistent demand for finished goods resulting in sustained revenue visibility.

**Diversified clientele with established relationships:** GFFPL has an established and diversified customer base. The clientele comprises Jadli Foods (India) Pvt Ltd, Parle Agro Private Limited, Sri Balaji Enterprises and others. The other companies include Hershey, Sun Tropics, Nutrirri ingredients, etc.

**Healthy demand outlook for processed food:** India is the largest producer of mango, due to its tropical climate and it accounts for 16 lakh hectares of cultivation or roughly half of the total world's total area under mango cultivation. Mexico, China, the Philippines and African countries are other major producers of the fruit. There are 30 main varieties under cultivation in India, chiefly Dashehari, Alphonso, Kesar, Banganapalli and Langra.

## Liquidity: Stretched

The liquidity profile of the company remained stretched. The company's cash balance was Rs. 1.93 crore as on March 31, 2023. The current ratio stood above unity at 1.14x as on March 31, 2023 (PY: 1.18x). GFFPL generated a GCA of Rs.2.95 crore for FY23 and the repayment obligations for the same period was Rs.0.96 crore. Due to the working capital-intensive operations, the average utilisation of the working capital facilities for the last twelve months ending February 2023 stood at 97%.

**Assumptions/Covenants:** Not Applicable

**Environment, social, and governance (ESG) risks:** Not Applicable

## Applicable criteria

[Policy in respect of non-cooperation by issuers](#)

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

## About the company and industry

### Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Food Products	Other Food Products

Global Farm Fresh Private Limited (GFFPL) was incorporated in 2010 and promoted by Mr. Umapathi and his relatives. The company started commercial operations in May 2012. GFFPL is engaged in the processing of mango pulp, papaya pulp, guava pulp and pineapple pulp. The company procures its raw materials (fruits and vegetables) from the local market i.e., from local farmers and dealers. GFFPL sells its products in Andhra Pradesh, Maharashtra, Telangana, Tamil Nadu and Karnataka.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	March 31, 2023 (A)
Total operating income	47.07	49.28	71.51
PBILDT	3.79	3.60	4.49
PAT	0.80	0.95	1.27
Overall gearing (times)	1.40	1.09	1.00
Interest coverage (times)	2.34	3.07	3.37

A: Audited; Note: 'the above results are latest financial results available'

**Status of non-cooperation with previous CRA:** CRISIL has moved the ratings assigned to the bank facilities of Global Farm Fresh Private Limited to the 'issuer non-cooperation category vide a press release dated June 15, 2023.

**Any other information:** Not Applicable

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

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

**Complexity level of various instruments rated:** Annexure-4

**Lender details:** Annexure-5

#### 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-Cash Credit		-	-	-	11.18	CARE BB-; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Line Of Credit		-	-	-	1.40	CARE BB-; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan		-	-	10-07-2027	3.80	CARE BB-; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-Letter of credit		-	-	-	0.50	CARE A4; ISSUER NOT COOPERATING*

\*Issuer did not cooperate; based on best available information.

**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 2023-2024	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
1	Fund-based - LT-Term Loan	LT	3.80	CARE BB-; Stable; ISSUER NOT COOPERATING *	1)CARE BB; Stable (03-Apr-23)	-	1)CARE BB; Stable (24-Mar-22)	1)CARE BB; Stable (16-Feb-21)
2	Fund-based - LT-Cash Credit	LT	11.18	CARE BB-; Stable; ISSUER NOT COOPERATING *	1)CARE BB; Stable (03-Apr-23)	-	1)CARE BB; Stable (24-Mar-22)	1)CARE BB; Stable (16-Feb-21)
3	Non-fund-based - ST-Bank Guarantee	ST	-	-	1)Withdrawn (03-Apr-23)	-	1)CARE A4 (24-Mar-22)	1)CARE A4 (16-Feb-21)
4	Non-fund-based - ST-Letter of credit	ST	0.50	CARE A4; ISSUER NOT COOPERATING *	1)CARE A4 (03-Apr-23)	-	1)CARE A4 (24-Mar-22)	1)CARE A4 (16-Feb-21)
5	Fund-based - LT-Line Of Credit	LT	1.40	CARE BB-; Stable; ISSUER NOT COOPERATING *	1)CARE BB; Stable (03-Apr-23)	-	1)CARE BB; Stable (24-Mar-22)	1)CARE BB; Stable (16-Feb-21)

\*Issuer did not cooperate; based on best available information.

LT: Long term; ST: Short term

**Annexure-3: Detailed explanation of covenants of the rated instruments/facilities:** Not Applicable**Annexure-4: Complexity level of the various instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Line Of Credit	Simple
3	Fund-based - LT-Term Loan	Simple
4	Non-fund-based - ST-Letter of credit	Simple

**Annexure-5: Lender details**

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

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### About us:

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