

Foodlink F&B Holdings (India) Private Limited

July 22, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	20.62	CARE BBB; Stable	Assigned
Long Term / Short Term Bank Facilities	6.38	CARE BBB; Stable / CARE A3	Assigned
Short Term Bank Facilities	3.00	CARE A3	Assigned
Issuer rating Issuer Rating	-	-	Withdrawn

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Foodlink F&B Holdings (India) Private Limited (FBHIPL) derive strength from qualified and experienced promoters and management team, established brand presence with geographically diversified revenue streams, growing scale of operations, comfortable capital structure and debt coverage indicators with adequate liquidity position.

The above rating strengths, however, are tempered by moderate and fluctuating profitability, intense competition and fragmented nature of the restaurant industry along with the project risk associated with setting up of new restaurants and banquet halls.

CARE Ratings Limited (CARE Ratings) has withdrawn the outstanding Issuer rating assigned to FBHIPL with immediate effect. The above action has been taken at the request of FBHIPL.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in total operating income above Rs.500 crore on sustained basis
- Increase in gross cash accruals above Rs.45 crore on sustained basis

Negative factors

- Decrease in PBILDT margin below 5% on sustainable basis
- Large debt funded capex or significant reduction in the liquidity leading to significant deterioration in the financial risk profile

Analytical approach: Consolidated

CARE Ratings has analysed the credit profile of Foodlink F&B Holdings (India) Private Limited (FBHIPL) on consolidated basis which includes its wholly owned subsidiaries Foodlink Global Limited (FGL) and Foodlink Global Restaurants & Catering Services LLC (FGRCS)

Outlook: Stable

The Stable outlook reflects CARE Rating's expectation that FBHIPL will continue to benefit from its established brand and is likely to maintain its financial risk profile in the near to medium term.

Detailed description of the key rating drivers:

Key strengths

Qualified and experienced promoters and management team

FBHIPL is managed by a team of highly experienced professionals led by Chairman & Executive Director, Mr. Sanjay Vazirani who is a post- graduate from Cornell- Nanyang Institute of Hospitality Management, Singapore University and possesses around 3 decades of experience in hospitality and catering industry. Other Executive and Non-executive Directors also play vital roles in managing the company. Ms. Ankita Chugh, Director, has more than 20 years of experience in media, events, and marketing across diverse sectors. Ms. Priya Gogte, Executive Director looks after catering segment and is involved in organizing events and services in India and abroad. Mr. Kenneth Serrao, a Non-Executive Director and associated with the company in the capacity of Nominee Director for the investment made by Oaks Asset Management Private Limited and its allied investors. Mr. Subramanya Shetty, executive director, is involved in the restaurant sector and catering service sector. All the directors are supported by a second line of management in the field of human resources, finance & purchase and sales & marketing.

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

Established brand presence with geographically diversified revenue streams

FBHIPL has diversified business offerings comprising of restaurants, cloud kitchens, banquets and central kitchens for catering across India and UAE. FBHIPL operates through 17 restaurants and 4 cloud kitchens under its own brands 'China Bistro' 'Indian Bistro' 'Glocal Junction' and 'Art of Dum' across prime locations in cities such as Mumbai (Worli, Chembur, Andheri, BKC, Belapur & Thane), Hyderabad, Delhi and multiple locations in Dubai – United Arab Emirates (UAE). Apart from this, FBHIPL offers its banquets under the brand name 'Jade' in Mumbai and Ahmedabad for hosting events. FBHIPL has 4 central kitchens spread across India for catering services that have capacity of making food for 65000 persons per day.

Growing scale of operations

The scale of operations improved at a CAGR of 41.90% in past three years ending FY24 (FY refers to April 1 to March 31). During FY24, the scale of operations improved significantly to Rs.384.24 crore as against in Rs.277.19 in FY23, marking a y-o-y growth of 39% led by ~34% higher revenue from Banqueting & Catering business. and ~56% higher F&B sales from restaurants. Furthermore, in February 2024, the company received a 10-year tender of catering services for India's largest convention and exhibition centre in Dwarka, which is likely to help maintain the revenue growth in the near future.

Comfortable capital structure and debt coverage indicators

FBHIPL's capital structure has remained comfortable in the past with low reliance on external debt. FBHIPL's capital structure remained comfortable marked by overall gearing ratio of 0.35x as on March 31, 2024, vis-à-vis 0.16x as on March 31, 2023. The deterioration is due to an increase in long-term debt and working capital limits to support growing scale of operations. Going forward, the capital structure is expected to further improve backed by scheduled repayment of term loans and absence of debt funded capex.

The debt coverage indicators of the company remained comfortable marked by TDGCA of 1.86x and Interest coverage of 6.25x during FY24 vis-à-vis 0.81x and 12.50x respectively in FY23. The deterioration is on account of lower profitability as well as increase in finance cost.

Key weaknesses

Moderate and fluctuating profitability

Profitability margin of FBHIPL has been fluctuating in the past. In FY21 and FY22 FBHIPL reported operating loss due to covid-19 restrictions which impacted the sales from restaurants and banqueting & catering business, however, post covid, In FY23, PBILDT margin improved to 7.34%. Further, during FY24, on account of higher employee costs and subcontracting expenses, the PBILDT margins declined to 5.55%. In line with PBILDT margins coupled with increase in depreciation and finance cost, PAT margins also deteriorated and remained at 0.86% in FY24 vis-à-vis 1.73% in FY23. Going forward, with higher share of more profitable tender business and management's plans to shut down underperforming outlets, PBILDT margin is expected to improve gradually.

Intense competition and fragmented nature of the restaurant industry

FBHIPL generates revenue from metro cities like Mumbai, Delhi, and Dubai-UAE, where major domestic and international food and restaurant operators are present. The fast-food and quick-service segment is dominated by established chain restaurant brands, while the fine-dining segment is led by domestic players with standalone or chain restaurants. The favorable prospects for the Indian food service industry have attracted many foreign and domestic players, intensifying competition in the organized market. However, FBHIPL's banqueting and catering business mitigates some of the competition risk by offering premium and exquisite services, allowing them to maintain control over margins and pricing.

Project risk associated with setting up of new restaurants and banquet halls

The company has outlined a capital expenditure plan for FY25-FY26, which includes the addition of 6 new outlets across various cities in India and Dubai. Additionally, the company aims to expand its banquet business by establishing one new banquet hall in Delhi. The capex would be around Rs.70 crores in next 2 years and will be funded through Internal accruals. The company also plans to raise equity capital which will be utilized towards further expansion. The plan, however, is at a nascent stage. Timely execution of the plan and stabilization of newly opened outlets is critical from credit rating perspective.

Liquidity: Adequate

FBHIPL is expected to generate annual gross cash accruals of more than Rs.35 crore against the principal repayment to the tune of Rs.1.40 crore.

Further, the company had free cash and bank balance of Rs.12.59 as on March 31, 2024. The company manages its working capital through internal accruals and working capital limits. Average utilization of working capital limits was seen at 80% for the twelve months ending May 31, 2024. The collection period remains low as majority of sales is on cash and carry basis (for restaurant segment) and advance for future bookings of catering business.

Applicable criteria

[Consolidation](#)
[Definition of Default](#)
[Issuer Rating](#)
[Liquidity Analysis of Non-financial sector entities](#)
[Rating Outlook and Rating Watch](#)
[Hotels & Resorts](#)
[Financial Ratios – Non financial Sector](#)
[Withdrawal Policy](#)
[Service Sector Companies](#)
[Short Term Instruments](#)

About the company and industry

Industry classification

Macro-Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Consumer Services	Leisure Services	Restaurants

Foodlink F&B Holdings (India) Private Limited (FBHIPL), established in 2015, is the flagship company of the Foodlink Group. It operates restaurants, provides banqueting and catering services, and runs cloud kitchens. As on June 30, 2024, FBHIPL manages 17 restaurants and 4 cloud kitchens under brands like China Bistro, India Bistro, Glocal Junction, and Art of Dum in Mumbai and Dubai. It also offers banqueting services under the 'JADE' brand in Mumbai and Ahmedabad. With over two decades of experience, the company is led by Chairman Mr. Sanjay Vazirani and directors Ms. Ankita Chugh, Ms. Priya Gogte, and Mr. Subramanya Shetty.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (UA)
Total operating income	277.19	384.24
PBILDT	20.34	21.31
PAT	4.79	3.30
Overall gearing (times)	0.16	0.35
Interest coverage (times)	12.50	6.25

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

Status of non-cooperation with previous CRA: Not applicable

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		-	-	-	14.50	CARE BBB; Stable
Fund-based - LT-Term Loan		-	-	31/09/2034	6.12	CARE BBB; Stable
Fund-based - ST-Bank Overdraft		-	-	-	3.00	CARE A3
Fund-based/Non-fund-based-LT/ST		-	-	-	6.38	CARE BBB; Stable / CARE A3
Issuer Rating-Issuer Ratings		-	-	-	0.00	Withdrawn

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 2024-2025	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
1	Issuer Rating-Issuer Ratings	LT	-	-	-	1)CARE BBB; Stable (26-May-23)	-	-
2	Fund-based - LT-Term Loan	LT	6.12	CARE BBB; Stable				
3	Fund-based - LT-Cash Credit	LT	14.50	CARE BBB; Stable				
4	Fund-based - ST-Bank Overdraft	ST	3.00	CARE A3				
5	Fund-based/Non-fund-based-LT/ST	LT/ST	6.38	CARE BBB; Stable / CARE A3				

LT: Long term; ST: Short term; LT/ST: Long term/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-Term Loan	Simple
3	Fund-based - ST-Bank Overdraft	Simple
4	Fund-based/Non-fund-based-LT/ST	Simple
5	Issuer Rating-Issuer Ratings	Simple

Annexure-5: Lender details

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

Annexure-6: List of all the entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1.	Foodlink Global Limited	Full	Wholly owned subsidiary
2.	Foodlink Global Restaurants & Catering Services LLC	Full	Wholly owned subsidiary

Note on the 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.

Contact us

Media Contact Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Analytical Contacts Akhil Goyal Director CARE Ratings Limited Phone: +91-22-6754-3590 E-mail: akhil.goyal@careedge.in
Relationship Contact Saikat Roy Senior Director CARE Ratings Limited Phone: 91 22 6754 3404 E-mail: saikat.roy@careedge.in	Ashish Kashalkar Assistant Director CARE Ratings Limited Phone: 91-020-4000-9009 E-mail: Ashish.Kashalkar@careedge.in
	Akhil Thakrar Analyst CARE Ratings Limited E-mail: akhil.thakrar@careedge.in

About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

Disclaimer:

The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

**For the detailed Rationale Report and subscription information,
please visit www.careedge.in**