

Global Gourmet Private Limited

September 27, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	64.75 (Reduced from 73.25)	CARE BBB-; Stable	Reaffirmed
Long-term / short-term bank facilities	20.00	CARE BBB-; Stable / CARE A3	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of the long-term and short-term ratings of bank facilities of Global Gourmet Private Limited (GGPL) continues to factor in experienced promoters, established operations and accreditations of international level, and favourable growth prospects of the processed food industry. Ratings also favourably factor in GGPL's long-standing relationships with reputed customers and suppliers, despite customer concentration risk.

However, above rating strengths are tempered by the growing yet moderate scale of operations and the modest net worth base, profit margins susceptible to fluctuations in the agro-based raw material prices, and other input costs such as ocean freight rates and foreign exchange rates. The rating strengths are further constrained by the project risk associated with the ongoing large debt-funded capex and the risk associated with the exit of the Private Equity (PE) investor.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significantly improving scale operations and improvement in the profit before interest, lease rentals, depreciation and taxation (PBILDT) margins over 18% on a sustained basis.
- Improving capital structure with overall gearing ratio reaching below 0.90x and improving net worth base beyond ₹100 crore.
- Successful exit of the PE without majorly affecting the capital structure.
- Successful implementation of the project within the cost and time as envisaged.

Negative factors

- Deteriorating total operating income (TOI) below ₹145 crore and deteriorating PBILDT margin to less than 12% on a sustained basis.
- Un-envisaged debt as a result of the exit of the PE.
- Increasing cost of the project, resulting in significantly deteriorating capital structure.

Analytical approach: Standalone

Outlook: Stable

The 'stable' outlook reflects CARE Ratings Limited's (CARE Ratings') expectation that the company will be able to scale up the operations and profitability with maintaining adequate capital structure over the medium term.

Detailed description of key rating drivers:

Key strengths

Experienced promoters

GGPL was founded by the Jindal Hotels group from Vadodara. The Jindal Hotels group has been in the hotel and restaurant business for 50 years. Piyush Shah, GGPL's promoter, is a third-generation entrepreneur with over 30 years of experience in hospitality. His son, Satvik Agarwal, is the Managing Director. He is a qualified chef with a master's from Le Cordon Bleu Paris and a hospitality management degree from Les Roches, Switzerland. He oversees GGPL's operations and marketing. They have a capable management team supporting them. The company is expected to continue to benefit from the promoter's vast experience.

Established operations and accreditations of international level

GGPL has an established track record of more than a decade in the frozen food industry. It is equipped to manufacture and market a wide range of products such as categories of flat breads, snacks, ready meals, desserts, and frozen fruits and vegetables,

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

with two manufacturing units in Gujarat. GGPL works on a 100% private label. Both the units are certified and accredited by national and international regulatory bodies, thus enabling the company to add international companies and to get repeat orders from reputed customers.

Long-standing relationships with reputed customers and suppliers, despite customer concentration risk

GGPL has been mainly involved in exports, where the company has been selling either directly or through marketing arrangement by entering logistic and supply chain tie-ups with reputed foreign companies. Over the years, the company has been continuously adding customers to its portfolio. GGPL has long-standing associations with reputed customers. However, GGPL is exposed to customer concentration risk, with the top five customers continuing to account for a major share of about 88% of its total net sales in FY24 (PY: 86%). However, going forward with the expected addition of new customers, the customer concentration risk is expected to reduce. GGPL has established long-term relationships with suppliers for agro-commodities and it acquires most of its raw materials from the domestic market.

Comfortable capital structure and coverage indicators

The company's capital structure remained comfortable, marked by a stable overall gearing of 0.83x as on March 31, 2024 (PY: 0.97x). The interest coverage improved to 6.94x in FY24 (PY: 4.75x). CARE Ratings observes, the overall gearing is expected to moderate as on March 31, 2025, on the back of the ongoing debt-funded capex, which is expected to commence its commercial production by Q1FY26.

Favourable growth prospects of the processed food industry

The ready-to-eat (RTE) food market in India is projected to grow at a compound annual growth rate (CAGR) of 16.4% from FY24 to FY31, reaching USD 2,933.31 million by FY31, up from USD 870.43 million in FY23. Additionally, the share of processed food exports in agri-food exports increased from 13.7% in 2014-15 to 23.4% in 2023-24.

This growth is driven by increased travel, a rising younger and working population favouring convenience foods due to busier lifestyles, the expansion of the Indian retail sector, and new product launches by manufacturers. The availability of diverse food options and greater exposure to western culture have integrated RTE foods into the lifestyles of Indian millennials. Additionally, advancements in food packaging and cold chain logistics are contributing to the market's growth.

Key weaknesses

Consistent improvement in TOI and profitability; despite scale remain moderate

GGPL's scale of operations increased at a CAGR of around 15% in between FY19 and FY24, though remained moderate. In FY24, GGPL's TOI increased by 6.01% to ₹161.33 crore (against ₹152.26 crore in FY23), mainly due to an increase in the sales volume of key products. However, the scale remains moderate. Moreover, the net worth base increased substantially from ₹50.00 crore as on March 31, 2023 to ₹60.74 crore as on March 31, 2024, and continues to remain modest. Thus, the moderate scale of operations and modest net worth base restricts the company's financial flexibility.

Project risk considering a large debt-funded capex

The company has entered a long-term lease for new plot for expansion near to existing plant of Padra, Vadodara, with capacity of around 5000 MT per annum. Commercial production of the plant was expected to begin by Q2FY25; however, uncontrollable circumstances such as heavy flooding and general election delayed project completion. CARE Ratings notes that there is no cost overrun due to conservative budgeting. The company now expects to complete the project by December 2024, with a trial run starting from January-February 2025 and full-fledged commercial production will begin from Q1FY26 onwards. Total project cost is estimated to be around ₹52 crore, to be funded out of debt of ₹39 crore and balance out of internal accruals. As on September 12, 2024, the company had utilised ₹20 crore from term loan and ₹9 crore from their internal accruals aggregating to ₹29 crore towards the project. However, given the project's large size of ₹52 crore as compared to the company's net worth of ₹60.74 crore as on March 31, 2024, it is exposed to project risk. Hence, the timely implementation of the project within the cost and revised timeline envisaged and the stabilisation of operations remain critical from the credit perspective, and hence, a key monitorable.

Risk associated with the exit of PE investor

The existing investor had an option to exit its investment. Based on the financials of FY24, as amended in the Share Holders Agreement, the revised timeline of exit by the investor is September 2025. However, the company is not obligated to buy back the investor's stake or provide guaranteed return; the investor can sell their stake to an outside party. Additionally, there is a 'Drag Along Right' clause, which means if the investor cannot exit in the stipulated timeline, the company's promoters may need to sell up to 100% of their shares, and the investor's shares, to a third-party buyer. Hence, the successful exit of the current investor and the inclusion of a new investor without majorly impacting the capital structure remains a key monitorable.

Profitability susceptible to fluctuation in raw material prices

The company relies on agricultural commodities such as onions, potatoes, palm oil, besan, maida, and spices as its primary raw materials. These materials are predominantly sourced from local suppliers. However, these commodities have seasonal patterns, and their availability for processing is tied to specific harvesting periods. These commodity prices are closely linked to their availability, making them susceptible to fluctuations caused by monsoon variability. To manage the risk associated with price fluctuations of key raw materials, GGPL engages in fixed-price contracts with its raw material suppliers. These contracts offer a degree of visibility into raw material costs, although some susceptibility to risk remains. Additionally, the company enters into fixed-price contracts with its customers. While this approach provides stability, it limits GGPL's ability to fully transfer the impact of volatile raw material prices to its customers, which in turn potentially affects the company's profitability.

Foreign exchange fluctuation risk

In FY24, GGPL earned 85% of its total revenue from the export market. GGPL also has a long-term borrowing in foreign currency apart from the working capital borrowings in the form of EPC/PCFC. Thus, the company has a partial natural hedge in the form of export. Despite natural hedge, the timing difference regarding receivables and payables results into susceptibility of company's profitability to forex movements. Hence, GGPL hedges around 75% of earnings which mitigates the forex fluctuation risk to some extent. GGPL earned a net forex gain of ₹1.71 crore in FY24 as against ₹2.04 crore in FY23. GGPL's large part of earnings is in GBP and USD.

Liquidity: Adequate

The company's liquidity position remains adequate, marked by sufficient gross cash accruals (GCA), sufficient liquid cash balance, and unutilised limits as against a moderate scheduled repayment obligation. The company reported a GCA of ₹20.75 crore and cash flow from operations of ₹20.69 crore in FY24 as against scheduled principal repayment of ~₹9.82 crore in FY25. The company had unencumbered cash and a bank balance of ₹14.17 crore as on March 31, 2024, increased from ₹10.46 crore as on March 31, 2023. As on June 30, 2024, the company has cash and cash equivalent of ₹11.63 crore. Average working capital utilisation for past 12 months ended June 30, 2024, is around 67%.

Applicable criteria

[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

Macroeconomic indicator	Sector	Industry	Basic industry
Fast-moving consumer goods	Fast-moving consumer goods	Food products	Other food products

GGPL was established in 2008 by Satvik Agrawal, fifth generation member of the family which has been in the food and hospitality business for a century. GGPL is engaged into manufacturing authentic Asian cuisine of various types in the form of frozen foods. GGPL is approved/audited/registered with standards such as BRC (AA+), TFMS, SEDEX, USFDA, FSSAI, BAP3 and EIA. GGPL has two processing plants, one at Makarpura, Vadodara, with installed capacity of 3,120 MT (Plant 1) and another at Padra, Vadodara, with installed capacity of 6,880 MT (Plant 2). Also, the company has started construction of a new plant near to Plant 2 in Padra with a total additional capacity of 5000 MTPA, commercial operations of the same is expected to start by Q1FY26.

In 2017, Rabo Bank, a major European Food & Agri focused institution, sponsored and managed India Agri Business Fund II Limited and Real Trust II took a minority position in GGPL. The equity infusion is intended to fuel GGPL's growth both in domestic and international markets across new identified business segments and enhance resources for the existing business.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	Q1FY25(UA)
Total operating income	152.18	161.33	28.97
PBILDT	20.15	28.39	3.22
PAT	6.02	10.75	NA
Overall gearing (times)	0.97	0.83	NA
Interest coverage (times)	4.75	6.94	NA

A: Audited UA: Unaudited NA: Not available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of 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 and Rating Outlook
Fund-based - LT-Term loan		-	-	June 2028	56.37	CARE BBB-; Stable
Fund-based - LT-Term loan		-	-	June-2029	8.38	CARE BBB-; Stable
Fund-based - LT/ ST-Working capital limits		-	-	-	20.00	CARE BBB-; Stable / CARE A3

Annexure-2: Rating history for 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	Fund-based - LT/ ST-Working capital limits	LT/ST	20.00	CARE BBB-; Stable / CARE A3	-	1)CARE BBB-; Stable / CARE A3 (30-Aug-23)	1)CARE BBB-; Stable / CARE A3 (07-Sep-22)	1)CARE BBB-; Stable / CARE A3 (24-Jan-22)
2	Fund-based - LT-Term loan	LT	56.37	CARE BBB-; Stable	-	1)CARE BBB-; Stable (30-Aug-23)	1)CARE BBB-; Stable (07-Sep-22)	-
3	Fund-based - LT-Term loan	LT	8.38	CARE BBB-; Stable	-	1)CARE BBB-; Stable (30-Aug-23)	1)CARE BBB-; Stable (07-Sep-22)	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term loan	Simple
2	Fund-based - LT/ ST-Working capital limits	Simple

Annexure-5: Lender details

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

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

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About us:

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