

Fair Deal Ventures Private Limited

March 13, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	20.00	CARE BBB-; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to bank facilities of Fair Deal Ventures Private Limited (FDVPL) continues to derive strength from the experienced promoters and long presence of the Christy group in the ready-to-eat food segment, well-established manufacturing facilities, the group's strong supply chain, and satisfactory capital structure. The group has received refund of security deposits of ~₹140 crore from IT department in current financial year, following the favourable outcome of the appeal against IT demand out of raids happened in July 2018.

However, the rating is constrained by working capital intensive operations of the group, profitability margins exposed to the risks related to tender-driven business, and raw material price volatility. The rating also considers huge write-off of loans and advances given to other group entities and companies leading to operational losses in FY24 (refers to April 01 to March 31), while the group had also received one-time income of ₹220 crore in the form of arbitration award from Government of Karnataka as compensation for the discontinuation of Integrated Child Development Services (ICDS) scheme in the past.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Consistently growing scale of operations to above ₹1,200 crore while maintaining profit before interest, lease rentals, depreciation and tax (PBILDT) margins above 4%.
- Improving total debt /PBILDT to below 5x.

Negative factors

- Deteriorating gearing levels above 2x and increasing exposure to the group entities in the non-core business areas.
- Deteriorating liquidity position severely impacting the debt coverage indicators.

Analytical approach: Combined

For arriving at the rating, CARE Ratings Limited (CARE Ratings) has combined the business and financial risk profiles of FDVPL and group companies, Suvarnabhoomi Enterprises Private Limited (SEPL), Christy Friedgram Industry (CFI), Christy Friedgram Industry Private Limited (CFIPL), and Handhold Ventures (HV) (referred to as the Christy group). This is because all the entities are in similar lines of business, have common management, and share business synergies. The list of entities combined are given in Annexure-6.

Outlook: Stable

The 'Stable' outlook reflects the group is expected to sustain its operational performance and adequate liquidity over the medium term, supported by the successful renewal of the ICDS and egg supply contracts, and its long-standing presence in the agricultural commodities business.

Detailed description of key rating drivers:

Key strengths

Experienced promoters and established presence of the group in supply of ready-to-eat food under ICDS

The Christy group started its business with processing cereals and pulses by incorporating the proprietorship entity, CFI, in 1988 by Kumarasamy. The group entered production of ready-to-eat and weaning foods under ICDS scheme in Tamil Nadu. Since inception, the group has grown to serve over 45,000 Anganwadis providing nutritious food to over 21 lakh children, three lakh adolescent girls, and over six lakh pregnant women and lactating mothers. From January 2024 onwards, the operations of CFI

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

are being transferred to CFIP, a private limited company set up in 2012. The ICDS contracts are renewed under CFIP, and going forward, CFI will book only rental and interest income.

Well-established manufacturing facilities with adherence to quality standards

The group has a manufacturing facility in CFI, spread across 581,000 sq. ft. of land with total built-up area of 226,000 sq. ft. The main production area is ~127,000 sq. ft. and the storage godown space is ~100,000 sq. ft. The factory has got the bulk capacity to receive and stock over 20,000 tons of raw materials. The unit has the capacity of manufacturing 500 metric tons per day of high-quality weaning food, ready-to-eat food, and supplementary nutrition food.

Strong procurement and distribution network

The group procures raw materials, such as wheat, pulses, ragi, jaggery powder, and maize, both directly from farmers and also through agents and National Bulk Handling Corporation (NBHC).

The group has over 500 vendors across India to meet delivery targets. The group also has ~50-60 employees directly managing the procurement operations and maintains an updated database of vendors across India. The group manages the distribution network on its own for the ICDS supplies. The group also has employees deployed to handle the despatch of the products and manage the supply chain.

Favourable outcome of appeal against income-tax (IT) demand

On July 5, 2018, the IT department conducted raids on the Christy group of companies and subsequently served a demand order of ₹1,067 crore in February 2022. In the course of investigations, the group had deposited ₹222 crore to the revenue authorities and had filed an appeal against the IT department order. In FY23, the group received the outcome of the appeal from the Commissioner (appeals), IT department, in their favour where the taxable income has been significantly reduced on which tax payable is ₹86 crore. As such, the group had received refund of deposit held ~₹140 crore in current financial year.

The honourable Supreme court in its verdict dated November 20, 2023 has ordered the Karnataka government to pay the company compensation for losses incurred from the premature cancellation of the contract between both parties on May 31, 2012 for the supply of supplementary nutrition food and accordingly in FY24, the group had received ₹220 crore as one-time income.

Satisfactory capital structure, however, exposure to group entities and corporates

Overall gearing of the group improved to 0.27x as on March 31, 2024 (PY: 0.50x) as the group undertook deleveraging in the past two years to align the debt levels with the reduction in scale of operations. The group also reduced the unsecured borrowings from other group entities and corporates. The group does not have long-term debt obligations. A significant part (38% in FY24 and 52% in FY23) of the group's net worth, is deployed in other group entities and corporates against which the group also charges interest income. The debt coverage metrics stood comfortable with total debt/ gross cash accruals (GCA) of 3.86x as on March 31, 2024 (PY: 10.41x).

Key weaknesses

Moderate financial performance in FY24

The group's operating income declined from ₹829.74 crore in FY23 to ₹727.01 crore in FY24 considering reduced participation in the short-term PDS tenders from TNCSC amid increased competition and thin profit margins post relaxation in tender participation norms by TNCSC. While the reduction in volumes from short-term PDS tenders is in expected lines, the group continues to post stable income from the supply of weaning food and eggs under ICDS scheme with regular renewal of contracts.

In FY24, the group wrote off loans and advances and debtors amounting to ₹217.29 crore which pertained to suppliers, group companies, and other corporates. As a result, the group reported an operational loss of ₹239.6 crore in FY24, compared to an operational profit of ₹44.1 crore in FY23. However, with income from arbitration and the reversal of certain debtor which were written off in the past, the group recorded a GCA of ₹45.3 crore in FY24, up from ₹29.2 crore in FY23.

Exposure to risks related to tender-driven business and raw material price volatility

The group enters in to fixed-price contract for two years for weaning food and one year of egg supply under ICDS scheme with the Government of Tamil Nadu (GoTN). The revenue visibility depends on the group's ability to successfully bid for the projects. The prices of raw materials such as wheat, ragi, jaggery and sugar had exhibited volatility in the past. As a result of the fixed price contract for a large part to the business operations, the margins of the company exhibit volatility. The group focusses on increasing revenue from weaning food production and egg supply contracts which generally fetches better margins compared to agro commodity trading business under PDS scheme.

Liquidity: Adequate

The liquidity of the group is adequate marked by sufficient cash accruals against nil repayment obligations. The group generally holds two to three months' stock for its requirement for production of weaning and ready-to-eat food. However, the inventory period stood low as the group stores part of the inventories with the third-party warehouse provider (National Bulk Handling Corporation), which will allow them to hold the inventories up to 180 days. The group relies up on large working capital for the procurement of raw materials in bulk. The average utilisation of the working capital limits of FDVPL stood at 65.80% for the past 12 months ended December 2024. The group also had free cash and liquid investments of ₹96.70 crore as on March 31, 2024.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

[Definition of Default](#)

[Consolidation & Combined Approach](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

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About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Fast-moving consumer goods	Fast-moving consumer goods	Agricultural food & other products	Other agricultural products

FDVPL (erstwhile Fair deal Food Ventures Private Limited) was established on September 3, 2012, as a private limited company by Kumarasamy. The company is engaged in the wholesale trading of agricultural commodities like maize, wheat, and ragi, among others. FDVPL is also engaged in trading cereals and pulses in wholesale market in and around Tamil Nadu. Other group company, CFI and CFIPL is engaged in producing weaning and ready-to-eat energy foods to departments of GoTN under ICDS. Established in 2009, SEPL supplies eggs to school children for mid-day meal programme under Department of social welfare (DOSW).

Brief Financials (₹ crore) Standalone	March 31, 2023 (A)	March 31, 2024 (A)	9MFY2025 (Prov.)
Total operating income	106.11	29.56	40.10
PBILDT	-4.87	-9.62	1.12
PAT	3.47	0.57	0.11
Overall gearing (times)	0.15	0.02	NA
Interest coverage (times)	-1.73	-23.49	NA

A: Audited Prov.: Provisional NA: Not available; Note: these are latest available financial results

Brief Financials (₹ crore) Combined	March 31, 2023 (UA)	March 31, 2024 (UA)	9MFY25 (Prov.)
Total operating income	829.74	727.01	503.09
PBILDT	44.08	(239.69)	31.09
PAT	26.50	42.94	20.92
Overall gearing (times)	0.50	0.27	NA
Interest coverage (times)	1.61	-8.04	NA

UA: Unaudited, Prov.: Provisional, NA: Not Available; Note: 'the above results are latest available financial results'

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not available

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-Proposed fund based limits		-	-	-	10.00	CARE BBB-; Stable
Fund-based - LT-Working Capital Limits		-	-	-	10.00	CARE BBB-; Stable

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-Proposed fund based limits	LT	10.00	CARE BBB-; Stable	-	1)CARE BBB-; Stable (05-Mar-24)	1)CARE BBB-; Negative (03-Mar-23) 2)CARE BBB-; Negative (05-Apr-22)	-
2	Fund-based - LT-Working Capital Limits	LT	10.00	CARE BBB-; Stable	-	1)CARE BBB-; Stable (05-Mar-24)	-	-

LT: Long 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-Proposed fund based limits	Simple
2	Fund-based - LT-Working Capital Limits	Simple

Annexure-5: Lender details

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

Annexure-6: List of entities consolidated

S.No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Christy Friedgram Industry	Full	Operational and financial linkages
2	Christy Friedgram Industry Pvt Ltd	Full	Operational and financial linkages
3	Handhold Ventures Private Limited	Full	Operational and financial linkages
4	Suvarabhoomi Enterprises Private Limited	Full	Operational and financial linkages

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.

Contact us

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About us:

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