

Vidhi Specialty Food Ingredients Limited.

Office: E/27/28/29, Commerce Centre, 78, Tardeo Road,
Mumbai – 400034, India.

Tel : + 91 22 6140 6666 Fax : +91 22 2352 1980

Factory : 59/B & 68, M.I.D.C. Dhatav, Roha

Dist : Raigad, Maharashtra – 402116, India.

E-mail : mitesh.manek@vidhifoodcolour.com

Web : www.vidhifoodcolour.com

CIN : L24110MH1994PLC076156

Date: May 17, 2022

To,

The Manager, Department of Corporate Services (DCS- Listing) BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai- 400 001 Scrip Code: 531717	The Manager, Listing Compliance National Stock Exchange of India Ltd. Exchange Plaza, C-1, Block G, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051 Symbol: VIDHIING
--	--

Dear Sir/Mam,

Subject: Intimation of Credit Rating reaffirmed (Rated amount enhanced) by CRISIL Ratings

In accordance with Regulation 30(6) read with Schedule III of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, we would like to inform you that based on the rating assessment undertaken, CRISIL Ratings has reaffirmed its 'CRISIL A-/Stable/CRISIL A2+' ratings on the bank facilities of Vidhi Specialty Food Ingredients Limited more particularly described in the below mentioned table:

Rating Action

Total Bank Loan Facilities Rated	Rs.116.72 Crore (Enhanced from Rs.81.72 Crore)
Long Term Rating	CRISIL A-/Stable (Reaffirmed)
Short Term Rating	CRISIL A2+ (Reaffirmed)

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

The ratings continue to reflect Company's established market position in food colour industry and healthy financial risk profile. These strengths are partially offset by large working capital requirement and risk associated with timely completion, offtake risk associated with new plant and moderate scale of operations.

Please find enclosed the rating letter for details. We request you to take the same on record.

Thanking you,

For Vidhi Specialty Food Ingredients Limited,

Mitesh D. Manek
CFO

Place: Mumbai
Encl: As above



Ratings

CRISIL Ratings Limited (A subsidiary of CRISIL Limited)



Rating Rationale

May 16, 2022 | Mumbai

Vidhi Specialty Food Ingredients Limited

Ratings reaffirmed; Rated amount enhanced

Rating Action

Total Bank Loan Facilities Rated	Rs.116.72 Crore (Enhanced from Rs.81.72 Crore)
Long Term Rating	CRISIL A-/Stable (Reaffirmed)
Short Term Rating	CRISIL A2+ (Reaffirmed)

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has reaffirmed its 'CRISIL A-/Stable/CRISIL A2+' ratings on the bank facilities of Vidhi Specialty Food Ingredients Limited (VSFIL; part of Vidhi group).

The ratings continues to reflect group's established market position in food colour industry and healthy financial risk profile. These strengths are partially offset by large working capital requirement and risk associated with timely completion, offtake risk associated with new plant and moderate scale of operations.

CRISIL Ratings had upgraded its rating on the bank facilities of VSFIL to 'CRISIL A-/Stable/CRISIL A2+' from 'CRISIL BBB+/Positive/CRISIL A2' vide its rationale dated April 29, 2022.

Rating action reflected strengthening of the business risk profile while maintaining a healthy financial risk profile. Revenue is estimated to have improved in fiscal 2022, as reflected from the group's operating performance during 9 month of fiscal 2022. Revenue growth has been on back of better export demand and further strengthening of its market position in the food colour business. While operating margin is estimated to see some moderation due to high proportion of trading revenue and higher raw material prices, group's absolute earnings before interest, depreciation, taxation and amortization (EDBITA) is estimated to have improved in fiscal 2022. Going ahead, business risk profile is expected to benefit from higher proportion of manufacturing in the revenue mix with the commencement of operations at its new plant coupled with continued healthy demand. Financial risk profile is expected to also improve with accretion to reserves, further augmenting the network, resulting in very comfortable capital structure despite the capex and continued healthy debt protection metrics.

Analytical Approach

For arriving at the ratings, CRISIL Ratings has combined the financial and business risk profiles of VSFIL and its wholly owned subsidiary, Arjun Food Colorants Manufacturing Private Limited (AFCMPL). This is because both these entities, collectively referred to as the Vidhi Group, have a common management and strong operational and financial links.

Please refer Annexure - List of entities consolidated, which captures the list of entities considered and their analytical treatment of consolidation

Key Rating Drivers & Detailed Description

Strengths:

- **Established market position in food colour industry**

Group has established its market position over last 25 years in the food colour industry especially in the export market on back of sound operating efficiencies. Group has ISO and Kosher certifications, and product approvals from customers and majorly caters to export market with 80% of revenue. Group's clientele include global food colour vendors such as Univar Inc, UK; Map Technologies Ltd, UK; Proquimac Food & Pharma SA, Spain; among others. Group also has strong relationship with global majors such as Nestle, Mars, Pedigree, and Sanofi.

- **Healthy financial risk profile**

Group's capital structure is comfortable indicated by low total outside liabilities to adjusted network (TOLANW) at sub 0.5 time as on March 31, 2021. Group's network base was healthy at Rs. 162 crore. TOLANW is expected to remain sub 0.6 times as on March 31, 2022 in spite of capex and incremental working capital requirements. On back of healthy operating profits with limited interest outlay, debt protection metrics are expected to remain robust. Interest coverage and net cash accrual to total debt ratios are expected to remain above 20 times and 1 time, respectively, in fiscal 2022.

Financial risk profile is expected to improve over the medium term supported by steady accretion to reserves and controlled reliance on external debt for proposed capex.

Weaknesses:

- **Large working capital requirement**

Gross current assets were at 239 days because of elongated receivables of 133 days and inventory of 69 days as on March 31, 2021. While debtor's collection has improved in fiscal 2022, operations will remain working capital intensive over the medium term on back of moderate inventory levels.

- **Timely completion and offtake risk associated with new plant**

Group is undertaking capex of around Rs 60 crore in 2 phases. Each phase is of around Rs 30 crore will be funded entirely through internal accruals and cash and equivalents. Accordingly, the group is currently exposed to risk of timely completion and offtake associated with the new plant. Demand risk is partly mitigated by current capacity being utilised fully and steady demand. Ability of the company to swiftly ramp up new capacities while maintaining operating margin will be a rating monitorable.

- **Moderate scale of operations**

While group's scale of operations has improved in fiscal 2022, it continues to remain moderate relative to that of its well-established peers. This is partly mitigated by group's new plant becoming operational and addition of new customers which is expected to result in steady increase in revenue. Ability to sustain the revenue growth while maintaining the healthy profitability would be a key rating sensitivity.

Liquidity: Strong

Group is expected to generate net cash accruals (NCA) of Rs 55-60 crore adequate to meet yearly term debt obligation of Rs 1.8-2 crore per annum, over the medium term. Same will also act as a cushion to liquidity. Average bank limit utilisation was around 70% in the 12 months ended December 2021. Company has capex plans of around Rs 60 crore spread over 3-year period to be funded from the internal accruals. Unencumbered and encumbered cash and equivalents of Rs 11 crore as on December 31, 2021, also underpins liquidity. Current ratio was healthy at 2.99 times as on March 31, 2021.

Outlook: Stable

CRISIL Ratings believes VSFIL will improve on its already established position in the food colours market, backed by its long-standing associations with customers and suppliers, further supported by planned increase in manufacturing capacity.

Rating Sensitivity factors

Upward Factors:

- Significant improvement in scale with operating margin sustaining above 23% resulting in higher accruals and further augmenting the network.
- Improvement in working capital cycle while maintaining financial risk profile.

Downward Factors:

- Decline in revenue or operating profit margin dropping below 15% resulting in much lower cash accruals.
- Increase in working capital requirement, larger-than-expected, debt-funded capex or acquisition, or more-than-expected dividend payout, weakening the financial risk profile and liquidity.

About the Group

VSFIL, promoted by Mr Bipin Manek, manufactures synthetic food colours used in the foodstuff, pharmaceutical, confectionery, pet food, healthcare, dairy products, soft drinks, and cosmetics industries. The company has also set up a research and development (R&D) unit near its manufacturing facility in Roha, which enables the company to test food colours and meet the quality specification set by the US Food and Drug Administration (FDA) and other regulatory bodies around the world. The company mainly exports its products to countries in Europe, North America, Africa, and Australia with a presence in 80 countries globally.

Key Financial Indicators

As on / for the period ended March 31		2021	2020
Operating income	Rs crore	264	218
Reported profit after tax	Rs crore	37	34
PAT margins	%	13.9	15.5
Adjusted debt/adjusted networkth	Times	1.16	0.27
Interest coverage	Times	32.37	16.85

Any other information: Not applicable

Note on complexity levels of the rated instrument:

CRISIL Ratings' complexity levels are assigned to various types of financial instruments. The CRISIL Ratings' complexity levels are available on www.crisil.com/complexity-levels. Users are advised to refer to the CRISIL Ratings' complexity levels for instruments that they consider for investment. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)	Complexity levels	Rating Assigned with Outlook
NA	Bank Guarantee	NA	NA	NA	0.05	NA	CRISIL A2+
NA	Letter of Credit	NA	NA	NA	22	NA	CRISIL A2+
NA	Letter of Credit	NA	NA	NA	22.6	NA	CRISIL A2+
NA	Letter of Credit	NA	NA	NA	4.4	NA	CRISIL A2+
NA	Packing Credit	NA	NA	NA	18	NA	CRISIL A2+
NA	Post Shipment Credit	NA	NA	NA	17.5	NA	CRISIL A-/Stable
NA	Post Shipment Credit	NA	NA	NA	30.6	NA	CRISIL A-/Stable
NA	Post Shipment Credit	NA	NA	NA	0.4	NA	CRISIL A-/Stable
NA	Working Capital Term Loan	NA	NA	Mar-27	1.57	NA	CRISIL A-/Stable

Annexure – List of entities consolidated

Names of Entities Consolidated	Extent of Consolidation	Rationale for Consolidation
Vidhi Speciality Food Ingredients Ltd	Full	Financial, Operational and Managerial Linkages
Arjun Food Colorants Manufacturing Pvt Ltd	Full	Financial, Operational and Managerial Linkages; is 100% subsidiary of VSFPL

Annexure - Rating History for last 3 Years

Instrument	Type	Current		2022 (History)		2021		2020		2019		Start of 2019
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT/ST	67.67	CRISIL A2+ / CRISIL A-/Stable	29-04-22	CRISIL A2+ / CRISIL A-/Stable	26-02-21	CRISIL BBB+/Positive / CRISIL A2	--	--	25-11-19	CRISIL BBB+/Stable / CRISIL A2	CRISIL A3+ / CRISIL BBB/Positive
Non-Fund Based Facilities	ST	49.05	CRISIL A2+	29-04-22	CRISIL A2+	26-02-21	CRISIL A2	--	--	25-11-19	CRISIL A2	CRISIL A3+

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Bank Guarantee	0.05	Bank of Baroda	CRISIL A2+
Letter of Credit	4.4	HDFC Bank Limited	CRISIL A2+
Letter of Credit	22.6	HDFC Bank Limited	CRISIL A2+
Letter of Credit	22	Bank of Baroda	CRISIL A2+
Packing Credit	18	Bank of Baroda	CRISIL A2+
Post Shipment Credit	30.6	HDFC Bank Limited	CRISIL A-/Stable
Post Shipment Credit	17.5	Bank of Baroda	CRISIL A-/Stable
Post Shipment Credit	0.4	HDFC Bank Limited	CRISIL A-/Stable
Working Capital Term Loan	1.17	HDFC Bank Limited	CRISIL A-/Stable

This Annexure has been updated on 16-May-2022 in line with the lender-wise facility details as on 16-May-2022 received from the rated entity.

Criteria Details

Links to related criteria
The Rating Process
Understanding CRISILs Ratings and Rating Scales
CRISILs Bank Loan Ratings
CRISILs Criteria for Consolidation
CRISILs Criteria for rating short term debt

Media Relations	Analytical Contacts	Customer Service Helpdesk
<p>Aveek Datta Media Relations CRISIL Limited M: +91 99204 93912 B: +91 22 3342 3000 AVEEK.DATTA@crisil.com</p> <p>Prakruti Jani Media Relations CRISIL Limited M: +91 98678 68976 B: +91 22 3342 3000 PRAKRUTI.JANI@crisil.com</p> <p>Rutuja Gaikwad Media Relations CRISIL Limited B: +91 22 3342 3000 Rutuja.Gaikwad@ext-crisil.com</p>	<p>Rahul Subrato Kumar Guha Director CRISIL Ratings Limited D:+91 22 4097 8320 rahul.guha@crisil.com</p> <p>Jumana Badshah Associate Director CRISIL Ratings Limited D:+91 22 3342 8324 Jumana.Badshah@crisil.com</p> <p>Trusha Mahendra Patil Rating Analyst CRISIL Ratings Limited B:+91 22 3342 3000 Trusha.Patil@crisil.com</p>	<p>Timings: 10.00 am to 7.00 pm Toll free Number:1800 267 1301</p> <p>For a copy of Rationales / Rating Reports: CRISILratingdesk@crisil.com</p> <p>For Analytical queries: ratingsinvestordesk@crisil.com</p>

This rating rationale is transmitted to you for the sole purpose of dissemination through your newspaper/magazine/agency. The rating rationale may be used by you in full or in part without changing the meaning or context thereof but with due credit to CRISIL Ratings. However, CRISIL Ratings alone has the sole right of distribution (whether directly or indirectly) of its rationales for consideration or otherwise through any media including websites and portals.

About CRISIL Ratings Limited (A subsidiary of CRISIL Limited)

CRISIL Ratings pioneered the concept of credit rating in India in 1987. With a tradition of independence, analytical rigour and innovation, we set the standards in the credit rating business. We rate the entire range of debt instruments, such as bank loans, certificates of deposit, commercial paper, non-convertible/convertible/partially convertible bonds and debentures, perpetual bonds, bank hybrid capital instruments, asset-backed and mortgage-backed securities, partial guarantees and other structured debt instruments. We have rated over 33,000 large and mid-scale corporates and financial institutions. We have also instituted several innovations in India in the rating business, including ratings for municipal bonds, partially guaranteed instruments and infrastructure investment trusts (InvITs).

CRISIL Ratings Limited ('CRISIL Ratings') is a wholly-owned subsidiary of CRISIL Limited ('CRISIL'). CRISIL Ratings Limited is registered in India as a credit rating agency with the Securities and Exchange Board of India ("SEBI").

For more information, visit www.crisilratings.com

About CRISIL Limited

CRISIL is a global analytical company providing ratings, research, and risk and policy advisory services. We are India's leading ratings agency. We are also the foremost provider of high-end research to the world's largest banks and leading corporations.

CRISIL is majority owned by S&P Global Inc, a leading provider of transparent and independent ratings, benchmarks, analytics and data to the capital and commodity markets worldwide.

For more information, visit www.crisil.com

Connect with us: [TWITTER](#) | [LINKEDIN](#) | [YOUTUBE](#) | [FACEBOOK](#)

CRISIL PRIVACY NOTICE

CRISIL respects your privacy. We may use your contact information, such as your name, address and email id to fulfil your request and service your account and to provide you with additional information from CRISIL. For further information on CRISIL's privacy policy please visit www.crisil.com.

DISCLAIMER

This disclaimer is part of and applies to each credit rating report and/or credit rating rationale ('report') that is provided by CRISIL Ratings Limited ('CRISIL Ratings'). To avoid doubt, the term 'report' includes the information, ratings and other content forming part of the report. The report is intended for the jurisdiction of India only. This report does not constitute an offer of services. Without limiting the generality of the foregoing, nothing in the report is to be construed as CRISIL Ratings providing or intending to provide any services in jurisdictions where CRISIL Ratings does not have the necessary licenses and/or registration to carry out its business activities referred to above. Access or use of this report does not create a client relationship between CRISIL Ratings and the user.

We are not aware that any user intends to rely on the report or of the manner in which a user intends to use the report. In preparing our report we have not taken into consideration the objectives or particular needs of any particular user. It is made abundantly clear that the report is not intended to and does not constitute an investment advice. The report is not an offer to sell or an offer to purchase or subscribe for any investment in any securities, instruments, facilities or solicitation of any kind to enter into any deal or transaction with the entity to which the report pertains. The report should not be the sole or primary basis for any investment decision within the meaning of any law or regulation (including the laws and regulations applicable in the US).

Ratings from CRISIL Ratings are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold or sell any securities/instruments or to make any investment decisions. Any opinions expressed here are in good faith, are subject to change without notice, and are only current as of the stated date of their

issue. CRISIL Ratings assumes no obligation to update its opinions following publication in any form or format although CRISIL Ratings may disseminate its opinions and analysis. The rating contained in the report is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment or other business decisions. The recipients of the report should rely on their own judgment and take their own professional advice before acting on the report in any way. CRISIL Ratings or its associates may have other commercial transactions with the entity to which the report pertains.

Neither CRISIL Ratings nor its affiliates, third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively, 'CRISIL Ratings Parties') guarantee the accuracy, completeness or adequacy of the report, and no CRISIL Ratings Party shall have any liability for any errors, omissions or interruptions therein, regardless of the cause, or for the results obtained from the use of any part of the report. EACH CRISIL RATINGS PARTY DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING BUT NOT LIMITED TO ANY WARRANTIES OF MERCHANTABILITY, SUITABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. In no event shall any CRISIL Ratings Party be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of any part of the report even if advised of the possibility of such damages.

CRISIL Ratings may receive compensation for its ratings and certain credit-related analyses, normally from issuers or underwriters of the instruments, facilities, securities or from obligors. Public ratings and analysis by CRISIL Ratings, as are required to be disclosed under the regulations of the Securities and Exchange Board of India (and other applicable regulations, if any), are made available on its website, www.crisilratings.com (free of charge). Reports with more detail and additional information may be available for subscription at a fee – more details about ratings by CRISIL Ratings are available here: www.crisilratings.com.

CRISIL Ratings and its affiliates do not act as a fiduciary. While CRISIL Ratings has obtained information from sources it believes to be reliable, CRISIL Ratings does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives and/or relies on in its reports. CRISIL Ratings has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process. CRISIL Ratings has in place a ratings code of conduct and policies for managing conflict of interest. For details please refer to: <https://www.crisil.com/en/home/our-businesses/ratings/regulatory-disclosures/highlighted-policies.html>.

Rating criteria by CRISIL Ratings are generally available without charge to the public on the CRISIL Ratings public website, www.crisilratings.com. For latest rating information on any instrument of any company rated by CRISIL Ratings, you may contact the CRISIL Ratings desk at crisilratingdesk@crisil.com, or at (0091) 1800 267 1301.

This report should not be reproduced or redistributed to any other person or in any form without prior written consent from CRISIL Ratings.

All rights reserved @ CRISIL Ratings Limited. CRISIL Ratings is a wholly owned subsidiary of CRISIL Limited.

CRISIL Ratings uses the prefix 'PP-MLD' for the ratings of principal-protected market-linked debentures (PPMLD) with effect from November 1, 2011, to comply with the SEBI circular, "Guidelines for Issue and Listing of Structured Products/Market Linked Debentures". The revision in rating symbols for PPMLDs should not be construed as a change in the rating of the subject instrument. For details on CRISIL Ratings' use of 'PP-MLD' please refer to the notes to Rating scale for Debt Instruments and Structured Finance Instruments at the following link: <https://www.crisil.com/en/home/our-businesses/ratings/credit-ratings-scale.html>