

CARE Due Diligence Services



Due Diligence Report

Name of the Entity	Euro India Fresh Foods Limited
Location	Plot No. A 22/1 G.I.D.C. Ichhapore, Surat, Gujarat - 394510
Operational Status	Operational
Report Date	November 18, 2016

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CARE Due Diligence Report– STRENGTHS AND WEAKNESSES**Key Strengths**

- *Well-experienced promoters and management in the similar industry*
- *Funding support from promoters in the past through equity infusion*
- *Diversified product portfolio*
- *Diversified geographical presence*
- *Moderate PBILDT margins with improvement during past*

Key weaknesses

- *Leveraged capital structure coupled with weak debt coverage indicators*
- *Working capital-intensive nature of operations leading to full utilization of working capital borrowings*
- *Expose to raw material price fluctuation and foreign exchange fluctuation risk.*
- *Presence in the highly competitive and fragmented industry with demand correlated to performance of infrastructure, power and automobile industries.*
- *Delays in repayment of term loan and overdrawing in working capital borrowing*

Notes –

Euro India Fresh Foods Limited has been rated by CRISIL as “CRISIL D” for its Long term and Short term bank facilities in August 2016 on account of instances of delay in servicing term debt over the last few months.

Note:

- *To undertake the due diligence, CARE has relied at the information provided by the management, their deputed/ instructed by the management and Draft Red Herring Prospectus.*
- *For undertaking the financial analysis, we have primarily relied on the following financial statements provided by the management:*
 - *Audited financials for the financial year ending March 31, 2012, audited by M/s J N Shah & Co. and signed by Mr. Jignesh N. Shah dated September 06, 2012.*
 - *Audited financials for the financial year ending March 31, 2013, audited by M/s J N Shah & Co. and signed by Mr. Jignesh N. Shah dated September 04, 2013.*
 - *Audited financials for the financial year ending March 31, 2014, audited by M/s J N Shah & Co. and signed by Mr. Jignesh N. Shah dated September 05, 2014.*
 - *Audited financials for the financial year ending March 31, 2015, audited by M/s J N Shah & Co. and signed by Mr. Jignesh N. Shah dated September 01, 2015.*
 - *Audited financials for the financial year ending March 31, 2016, audited by M/s J N Shah & Co. and signed by Mr. Jignesh N. Shah dated August 22, 2016.*

DRHP consists of financials till March 31, 2016; thus, CARE has also considered financials till only March 31, 2016.

- ***As a part of the due diligence exercise for NSE, CARE also***
 - ***Reviews financials submitted by the company with Ministry of Corporate Affairs.***
 - ***Undertakes Site visit and management discussion***
 - ***Due Diligence with lenders and auditors***
 - ***Due Diligence with customers and suppliers.***
- ***However, please note that***
 - ***Due diligence exercise by CARE is not an audit and also not a recommendation for entering into any transaction with the entity.***
 - ***CARE does not guarantee the accuracy, completeness or adequacy of any information on which this report is based. CARE is not responsible for any error / omissions for the results/opinions obtained for the use of this report.***

BRIEF SNAPSHOT OF ENTITY

Name	Euro India Fresh Foods Limited (EIFFL)				
Year of Incorporation	2009				
Constitution	Public limited company				
Nature of Business	Manufacturing				
Industry	Food Processing Industry				
Products Manufactured	Chips, Extruder Snacks, Namkeen, Farali, Extruder Snacks, Fruit Beverages and Packaged drinking Water				
Registered Office	Plot No. A 22/1, G.I.D.C., Ichhapore, Surat, Gujarat - 394510				
Location of Plant	Same as above				
Key Promoters name	Mr. Manharbhai Sanspara, Managing Director				
Key regulatory approvals, certifications and membership	ISO 22000:2005				
Major Brands	Euro				
Name of the Auditor	M/s J N Shah & Co.				
Major Existing Bankers	Central Bank Of India				
Total number of employees	192				
Total income for latest year	Rs.4,756.04 Lakh				
Wilful defaulter as per CIBIL	No as on September 30, 2016				
Litigations	Cases Against	Particulars	Nature & Number of Case	Amount involved	Current status and managements response
	EIFFL	Filed by Employee's family member, regarding compensation to employee died during the service.	Criminal, 1	Rs.3.17 Lakh	Pending before First Additional Senior Civil Judge and ACJM, Surat
	EIFFL	Filed by supplier, Regarding the supply made for materials	Civil, 1	Rs.11.26 Lakh	Pending before Civil Judge First Class, district Court, Indore
	EIFFL	File by Customer, Regarding Unfair trade practices	Civil, 1	-	Pending before Surat District Consumers Redressal Forum
	EIFFL	Filed by supplier, Regarding the supply made for materials	Civil, 1	Rs.22.87 lakh	Pending before Additional District Judge, Indore
	EIFFL	Income Tax, AY13-14	Taxation, 1	NA	In Process
	EIFFL	Income Tax, AY14-15	Taxation, 1	Rs.0.50 lakh	Before Income Tax Officer
	EIFFL	Income Tax, AY15-16	Taxation, 1	NA	In Process

Background

Incorporated in the year 2009, by Mr. Manharbhai Sanspara and Other members of Sanspara family, Euro India Fresh Foods Limited (EIFFL) is engaged into manufacturing potato chips, extruder snacks, packaged drinking (mineral) water and fruit beverages (Juices). The company has its registered office and plant at Surat, Gujarat. Mr. Manharbhai Sanspara is a Chairman and Managing Director of the company and looks after overall management of the company.

The company has very diversified product portfolio which consists of Flavoured Chips, Euro Getmore, Farali wafers, Euro namkeen such as moong dal, peanuts, khatta meetha, mixtures, mamra, farali chiwda, Extruder snacks such as Euro funfill Ringoli, Bubbles, Puffs, Euro Wheels, and beverages includes fruit juices Euro Fresho and Euro Lemoni. Packaged drinking (mineral) water is sold under Euro Aquaspa brand.

EIFFL is an ISO 22000:2005 certified company and has presence across states such as Maharashtra, Gujarat, Andhra Pradesh, Karnataka, Madhya Pradesh, Delhi, Rajasthan and other states.

During FY16, the total operating income (TOI) of EIFFL stood at Rs. 4756.04 Lakh (compared with Rs.4289.22 Lakh in FY15), while net profit of the company stood at Rs.1.98 Lakh in FY16 (compared with Rs.1.55 Lakh in FY15).

ORGANISATION & MANAGEMENT: PROFILE OF THE PROMOTERS, MANAGEMENT & BOARD OF DIRECTORS

Details of key promoters

Name	Age	Designation	Educational qualification	Total years of experience	Years of association with company	Details of the past experience	Responsibilities handled
Mr. Manharbhai Sanspara	48 years	Chairman and Managing Director	Matriculate	20 Years	Since incorporation	Similar Field/Industry	Overall Management
Mr. Dinesh Sanspara	47 years	Joint Managing Director	Diploma in Industrial Electronics	20 Years	Since incorporation	Similar Field/Industry	Overall Management
Mr. Maheshkumar Mavani	39 years	Director	HSC	15 Years	Since incorporation	Similar Field/Industry	Finance Department

Comments:

- The management of EIFFL vests in the hands of the key promoters Mr. Manharbhai Sanspara (Chairman and Managing Director), Mr. Dinesh Sanspara (Joint Managing Director) and Mr. Maheshkumar Mavani (Director).
- Mr. Manharbhai Sanspara has been the managing director of the company since incorporation and has been designated as chairman and managing director w.e.f. September 1, 2016. He looks after overall management of the company which includes production, planning, costing, pricing, new product development, finance, production planning and execution and others. He has an experience of more than 7 years in particularly in food and beverages industry.
- Mr. Dinesh Sanspara is joint managing director and looks after overall sales & marketing, advertising, planning and product promotions.
- Mr. Maheshkumar Mavani is an executive director of EIFFL and looks after finance and related activities.

Details of key management personnel

Name	Age (Years)	Designation	Educational qualification	Approx. total years of experience	Years of association with the company	Responsibilities handled
Mr. Mukesh Ambabhai Navadia	54	Chief Executive Officer	B.A.M.S	29 years	Since 2009 (7 years)	Handling of overall Plant Production, Financial Related Works and all plant Related functions
Mr. Shailesh Madhubhai Sardhara	35	Chief Financial Officer	MBA -Finance	11 years	Since 2012 (4 years)	Handling of overall Finance & Accounting Functions of the Company
Miss. Nikki Ketan Shah	26	Company Secretary	C.S & B.com	1 year	Since 1 Month	Handling of overall Secretarial work & compliances of the Company

Comments:

- The second line of management consists of mix of recently appointed and past associated key personnel with relevant education and experience in the industry.

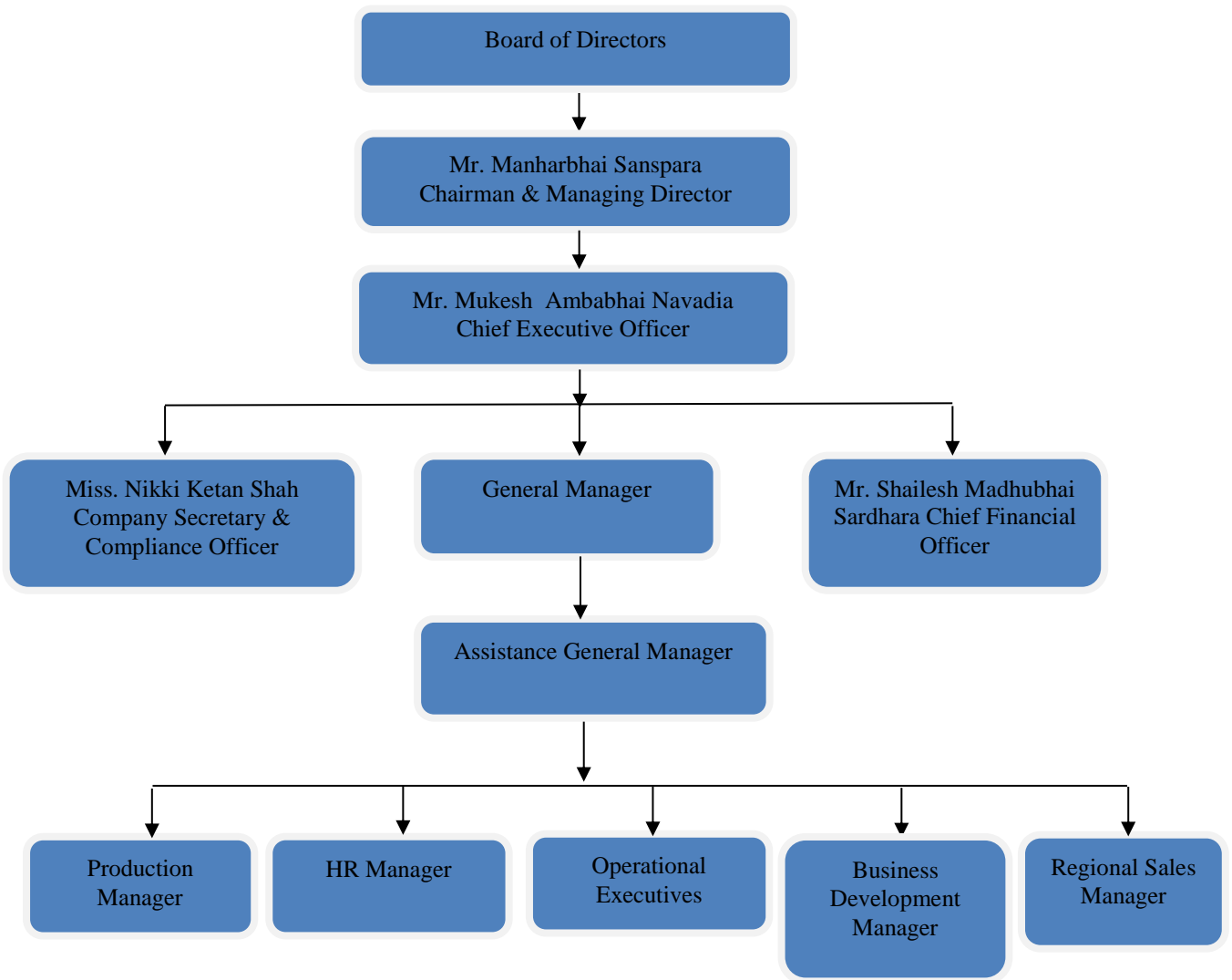
Details of the board of directors

Name	Age (Years)	Category	Education qualification	Total years of experience	Date of Appointment	Details of the past experience	Other directorships/ Association Chairman
Mr. Manharbhai Sansara	48 years	Executive Director	Matriculate	20 Years	September 1, 2016	Similar Field/Industry	Euro Nextech Private Limited
Mr. Dinesh Sansara	47 years	Executive Director	Diploma in Industrial Electronics	20 Years	September 1, 2016	Similar Field/Industry	Euro Nextech Private Limited
Mr. Maheshkumar Mavani	39 years	Executive Director	HSC	15 Years	Since incorporation	Similar Field/Industry	Euro Nextech Private Limited
Mrs. Maya Sansara	44 years	Additional Director	NA	NA	September 9, 2016	NA	-
Mr. Paresh Lathiya	32 years	Additional Independent Director	M.Sc.	NA	September 1, 2016	NA	-
Mrs. Snehal Patel	38 years	Additional Independent Director	P.G.	NA	September 1, 2016	NA	-
Mr. Ghanshyam Patel	64 years	Additional Independent Director	NA	NA	September 1, 2016	NA	-
Mr. Parth Sansara	24 years	Additional Independent Director	CA	NA	September 1, 2016	NA	-

NA: Not available

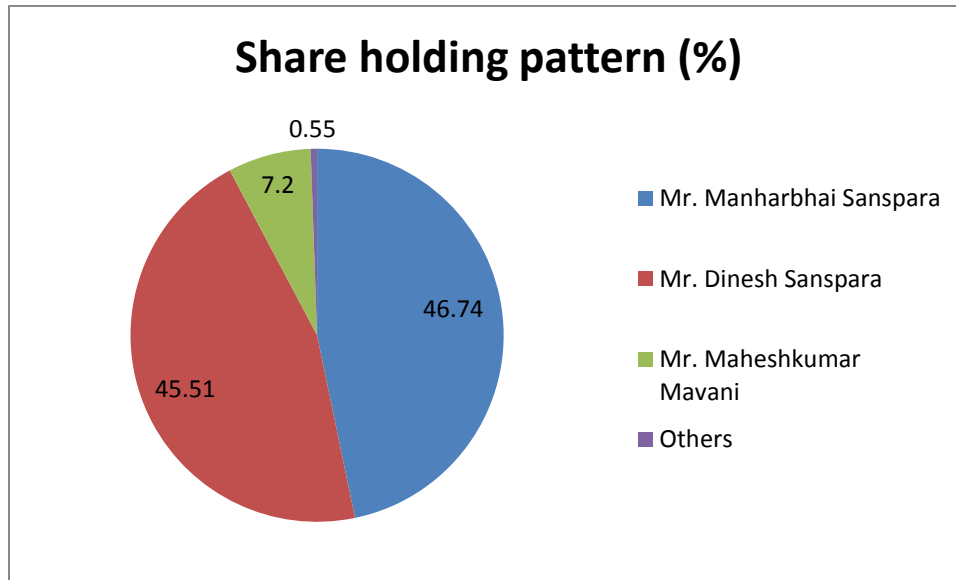
Comments:

- EIFFL has three executive and one additional director and four non-executive and independent directors.
- The average industry experience of all the directors is more than 2 decades in the fields of production, finance, marketing, litigation and administration. However, the non-executive independent directors have been associated with the company for less than a year.



ORGANISATION & MANAGEMENT: MANAGEMENT & OWNERSHIP STRUCTURE

Share holding pattern as on September 22, 2016



Name of share holder	No. of equity shares held	Share in business (%)
Promoters		
Mr. Manharbhai Sanspara	9,347,500	46.74
Mr. Dinesh Sanspara	9,102,500	45.51
Mr. Maheshkumar Mavani	1,440,000	7.20
Promoter Group		
Mrs. Mayaben Sanspara	25,000	0.13
Mr. Dipeshbhai Dineshbhai Sanspara	25,000	0.13
Mrs. Sajnaben Sanspara	50,000	0.25
Mr. Mukeshbhai Mavani	10,000	0.05
Total	20,000,000	100.00%

- The promoters of the company collectively holds around 99.50% stakes in EIFFL and remaining 5% stake are held by promoter group.

Group Company details

Name of the group company	Euro Nextech Private Limited
Date of incorporation	July 25, 2016
Registered office	Office No. 2507, Panchratna, Mama Parmanand Marg, Opera House, Mumbai, Maharashtra – 400004
Nature of business	Information Technology Services

Comments

- EIFFL has group company namely Euro Nextech Private Limited. However, this company has not yet commenced its operations.
- The promoter also have their own Proprietorship and Partnership firms viz. Euro India Beverages, Euro Snacks and Euro India Foods which are into similar line of business. However details of same not shared by the management.

Employee Profile

Particulars	Nos.
At Office	24
At Plant	168
Total Employees	192

Comment:

- The major decisions are taken by the CMD Mr. Manharbhai Sanspara and the CEO Mr. Mukesh Ambabhai Navadia who are further supported by the second line of management. Further, the company has a strong human resource pool with qualified personnel consisting of CAs, MBAs and post graduates having relevant industry experience. However, the key decisions are taken by the management.
- The company has 168 employees working at the plant and 24 employees working at office. Furthermore, as inform by the management, the company has 7 consignee depot, 82 super stockiest and over 280 distributions. The company also set up separate marketing department which consists of 108 employees with 2 marketing offices situated at Mumbai and Delhi.

BUSINESS PROFILE: OPERATIONS OVERVIEW

BUSINESS PROFILE ANALYSIS

EIFFL is engaged in manufacturing potato chips, extruder snacks, packaged drinking (mineral) water & fruit beverages (Juices).

OPERATIONS OVERVIEW

Nature of activity	Manufacturing
Industry segment	Food Processing Industry
Products Offered	Chips, Extruder Snacks, Namkeen, Farali, Extruder Snacks, Fruit Beverages and Packaged drinking Water
Plant locations	Plot No. A 22/1 G.I.D.C. Ichhapore, Surat, Gujarat – 394510
Area of the Plant	Approx. 7228.40 sq. mtrs.
Ownership of Plant	Owned
Location advantage	No
Marketing Setup	Yes

Comments:

- EIFFL has manufacturing plant situated at Surat, Gujarat which has received certification from The Food Safety and Standards Authority of India (FSSAI) to carry out the business operations. The company has very diversified product portfolio which consists of fried, extruder snacks and other beverages.
- EIFFL is an ISO 22000:2005 certified organization and has presence across states such as Maharashtra and Gujarat, Andhra Pradesh, Karnataka, Madhya Pradesh, Delhi, Rajasthan other states.

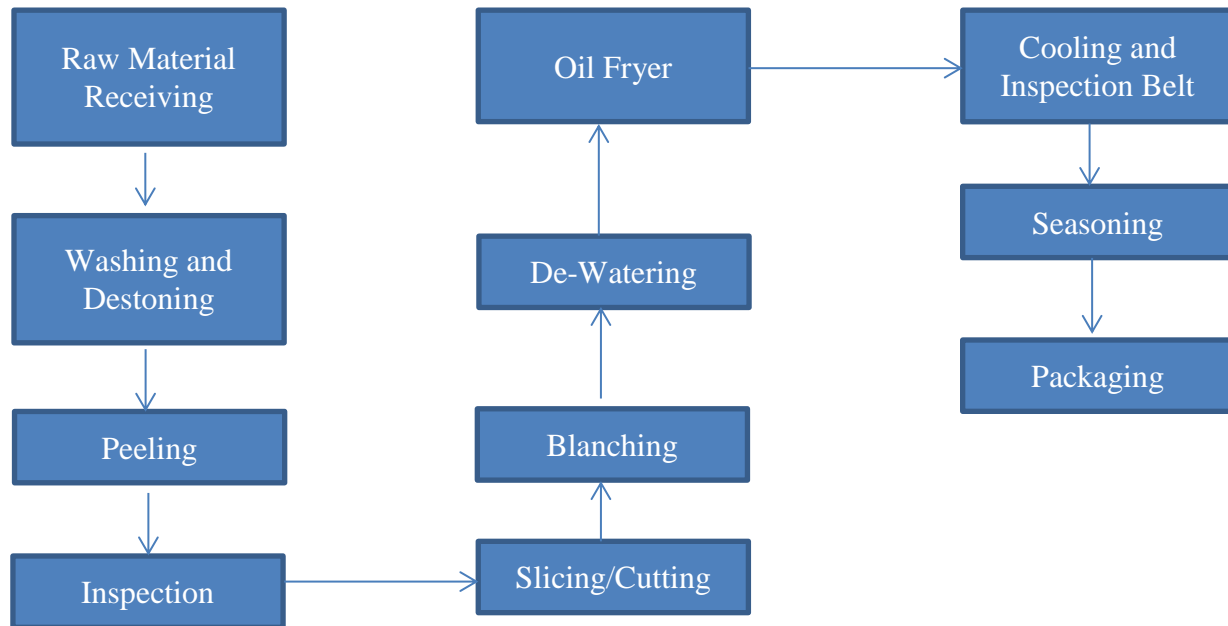
Particulars	Units	FY13	FY14	FY15	FY16
Product installed capacity					
Chips	Metric Tons Per annum	31.20	31.20	31.20	31.20
Namkeen		18.00	18.00	18.00	18.00
Getmore		20.28	20.28	20.28	20.28
Extruder Snacks		-	9.36	9.36	9.36
Packaged drinking Water		-	224.64	224.64	224.64
Fruit Beverages		-	112.32	187.20	187.20
TOTAL			69.48	415.8	490.68
Product capacity					

utilization					
Chips	%	4.16 (13.33%)	13.83 (44.32%)	8.54 (27.37%)	7.25 (23.24%)
Namkeen		2.65 (14.72%)	9.71 (53.95%)	5.93 (32.95%)	8.05 (44.72%)
Getmore		1.16 (5.72%)	4.93 (24.31%)	4.33 (21.35%)	4.42 (20.80%)
Extruder Snacks		-	0.66 (7.05%)	2.27 (24.25%)	1.66 (17.74%)
Packaged drinking Water		1.09 (0.49%)	0.01 (0.00%)	0.11 (0.05%)	1.31 (0.58%)
Fruit Beverages		-	-	-	9.38 (5.01%)
TOTAL			9.06 (13.04%)	29.14 (7.01%)	21.18 (4.32%)

Comment:

- Product wise capacity utilization has been relatively low during the past four years as there is high competition for its products. EIFFL is witnessing increasing demand for products and will subsequently increase its production capacity for the same.

Manufacturing Process



Revenue analysis
(Rs. Lakh)

Particulars	FY13	FY14	FY15	FY16
Gross Sales	1179.59	4773.82	4230.78	4740.32
<i>% y-o-y growth</i>	-	304.70	-11.38	10.75
A. Domestic Sales	1179.59	4773.82	4220.90	4738.59
<i>% y-o-y growth</i>		304.70	-11.58	12.27
% of sales	100.00	100.00	100.00	100.00
B. Export Sales	0.00	0.00	9.89	1.73
<i>% y-o-y growth</i>	-	-	-	-82.51
% of sales	0	0	0.23	0.04
Add: Other operating income	1.36	11.46	58.44	15.72
Total Operating Income	1180.95	4785.28	4289.22	4756.04
<i>% y-o-y growth</i>	-	305.20	-10.37	10.88

Comments:

- It has very diversified product portfolio which consists of flavoured chips, farali wafers, namkeen such as moong dal, peanuts, khatta meetha, mixtures, mamra, farali chiwda, extruder snacks such as euro funfill ringoli, bubbles, puffs, euro wheels, and beverages includes fruit juices Euro Fresho and Euro Lemoni.

State -wise revenue (Domestic Sales) breakup (%)

States	FY13	FY14	FY15	FY16
	Rs. in Lakh	Rs. in Lakh	Rs. in Lakh	Rs. in Lakh
Andhra Pradesh	-	15.45	40.24	59.83
Chhattisgarh	-	80.27	92.37	26.70
Dadra and Nagar Haveli	-	-	-	0.84
Delhi	30.90	90.47	44.18	42.54
Goa	-	-	-	2.49
Gujarat	388.50	1371.18	1488.63	2091.60
Haryana	21.11	114.47	78.47	37.53
Karnataka	121.57	452.27	126.36	129.05
Madhya Pradesh	65.04	350.18	180.07	164.19
Maharashtra	462.61	1943.54	1855.22	2052.21

States	FY13	FY14	FY15	FY16
	Rs. in Lakh	Rs. in Lakh	Rs. in Lakh	Rs. in Lakh
Rajasthan	58.03	295.99	205.56	107.60
Uttar Pradesh	31.83	59.98	109.80	24.01
Total	1179.59	4773.82	4220.90	4738.59

Export country-wise revenue breakup (%)

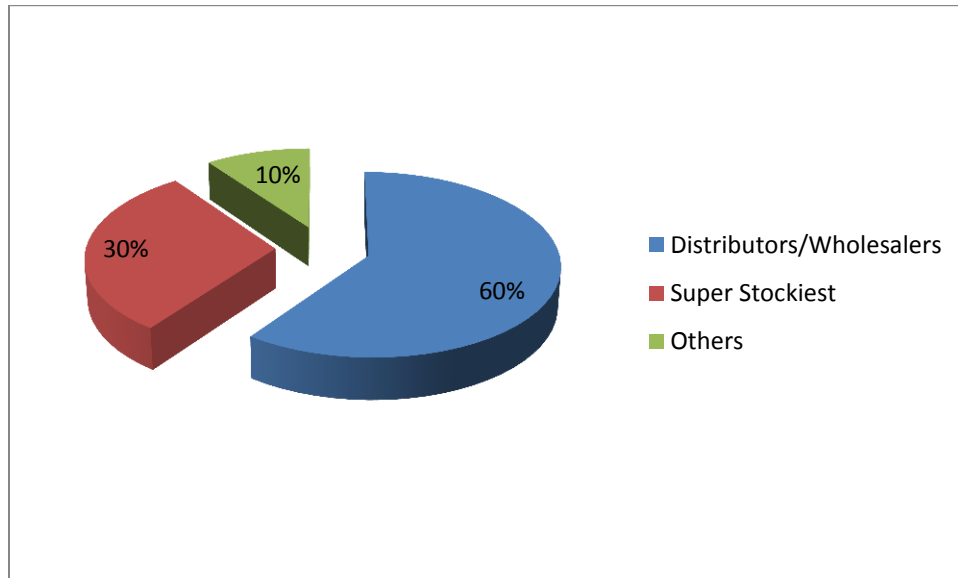
Countries	FY13	FY14	FY15	FY16
	Rs. in Lakh	Rs. in Lakh	Rs. in Lakh	Rs. in Lakh
Bahrain	-	-	9.89	-
Belgium	-	-	-	1.73
Total	-	-	9.89	1.73

Comments:

- EIFFL is the leading supplier for chips and snacks in the Gujarat and Maharashtra region with ~87 % of total sales generated from these states during FY16.
- The company's presence in the export market is low and forms less than 1.00 % of its total sales. EIFFL primarily exports to countries such as Bahrain and Belgium. As informed by management, company is planning to increase its presence in the export market through direct marketing

CUSTOMERS & SUPPLIERS ANALYSIS

CUSTOMER’S PROFILE



EIFFL caters to three types of customers:

- 1) Distributors/Wholesalers
- 2) Super Stockiest
- 3) Others (Direct sales)

Comments

- Distribution and Marketing plays key role in the business, at present the company has 7 consignee depots, 82 super stockiest and over 280 distributors.
- The company almost covers around 10 states in India and in the process of setting of distribution network in two other states at Goa and Chattisgarh.
- The Marketing team of the company consists of 108 employees with 2 marketing offices situated at Mumbai and Delhi.

CUSTOMERS/DEALERS FEEDBACK

Name of Customer	Ramdeva Sales
Contact person	Mr. Pravin Patel
Contact details	8156000725
Feedback	Satisfactory

Name of Customer	Siddhivinayak Enterprises
Contact person	Mr. Amar Palkar
Contact details	9987844694
Feedback	Satisfactory

Name of Customer	Sitaram Sales Agency
Contact person	Mr. Piyush Mandani
Contact details	8156000746
Feedback	Satisfactory

SUPPLIERS' PROFILE

EIFFL's primary raw materials are Potato, Oil, packaging material and others which it procures from local manufacturers.

Supplier Feedback

Name of Customer	Kaodia Technoplast Limited
Product	Packaging Material
Contact person	Mr. Navin
Contact details	9560298355
Feedback	Satisfactory, KTL is one of the largest customers of EIFFL

Name of Customer	Adani Wilmar Limited
Product	Oil
Contact person	Mr. Ajay
Contact details	9825100200
Feedback	Satisfactory

Name of Customer	Shiv Agro Fresh
Product	Potato
Contact person	Mr. Rajendra

Contact details	7567620024
Feedback	Satisfactory

BUSINESS ACTIVITY DETAILS

Key Raw materials	Potato, Oil, Packaging material and others
Level of Raw Material Price fluctuation risk	Moderate
Quality Certifications	ISO 22000:2005
Level of value addition	Moderate

SUPPLY SIDE ANALYSIS

Average Creditor Days	101
Raw Material Availability	Adequate
Import as a % of RM Purchase	Nil

Comments:

- The raw materials are adequately available in the domestic market and EIFFL keeps enough stock of raw material to cater the immediate demand of the clients.

INDUSTRY ANALYSIS

Name of the industry	Food Processing Industry
Product portfolio	Chips, Extruder Snacks, Namkeen, Farali, Extruder Snacks, Fruit Beverages and Packaged drinking Water
Overall Industry risk	Moderate
Level of competition	High

INDUSTRY WRITE-UP:
Introduction

The Indian food industry is poised for huge growth, increasing its contribution to world food trade every year. In India, the food sector has emerged as a high-growth and high-profit sector due to its immense potential for value addition, particularly within the food processing industry.

The food industry, which is currently valued at US\$ 39.71 billion, is expected to grow at a Compounded Annual Growth Rate (CAGR) of 11 per cent to US\$65.4 billion by 2018. Food and grocery account for around 31 per cent of India's consumption basket.

Accounting for about 32 per cent of the country's total food market, The Government of India has been instrumental in the growth and development of the food processing industry. The government through the Ministry of Food Processing Industries (MoFPI) is making all efforts to encourage investments in the business. It has approved proposals for joint ventures (JV), foreign collaborations; industrial licenses and 100 per cent export oriented units.

Market Size

The Indian food and grocery market is the world's sixth largest, with retail contributing 70 per cent of the sales. Food has also been one of the largest segments in India's retail sector, which was valued at US\$ 490 billion in 2013@. The Indian food retail market is expected to reach Rs 61 lakh crore (US\$ 894.98 billion) by 2020.

The Indian food processing industry accounts for 32 per cent of the country's total food market, one of the largest industries in India and is ranked fifth in terms of production, consumption, export and expected growth. It contributes around 14 per cent of manufacturing Gross Domestic Product (GDP), 13 per cent of India's exports and six per cent of total industrial investment. Indian food service industry is expected to reach US\$ 78 billion by 2018. The Indian gourmet food market is currently valued at US\$ 1.3 billion and is growing at a Compound Annual Growth

Rate (CAGR) of 20 per cent. India's organic food market is expected to increase by three times by 2020.

The online food ordering business in India is in its nascent stage, but witnessing exponential growth. The organized food business in India is worth US\$ 48 billion, of which food delivery is valued at US\$ 15 billion. With online food delivery players like Food Panda, Zomato, TinyOwl and Swiggy building scale through partnerships, the organized food business has a huge potential and a promising future.

Investments

According to the data provided by the Department of Industrial Policies and Promotion (DIPP), the food processing sector in India has received around US\$ 6.82 billion worth of Foreign Direct Investment (FDI) during the period April 2000-March 2016. The Confederation of Indian Industry (CII) estimates that the food processing sectors have the potential to attract as much as US\$ 33 billion of investment over the next 10 years and also generate employment of nine million person-days.

Some of the major investments in this sector in the recent past are:

- Di Bella, the Australia-based coffee chain, plans to invest Rs 67 crore (US\$ 10 million) for setting up around 20 new outlets in Mumbai, besides entering Delhi and Bangalore by 2017.
- KKR & Co LP, the US-based private equity firm, plans to invest about Rs 520 crore (US\$ 77.38 million) in dairy company Kwality Ltd, which will be used to strengthen its milk procurement infrastructure and increase processing capacity.
- Henry Ford Health Systems (HFHS), a US-based health and wellness group, plans to enter India by signing a franchise partnership with Chandigarh-based hospitality and food services firm KWalls Hospitality, and set up 'Culinary Wellness' branded stores across the country.
- Mondelez International, the US-based confectionery, food, and beverage major, inaugurated its new manufacturing plant in Andhra Pradesh set up for Rs 1,265 crore (US\$ 190 million), with an annual production capacity of 250,000 tonnes.

- PureCircle, a Malaysia-based natural sweetener producer, plans to invest around Rs 1,300 crore (US\$ 200 million) in India to set up a manufacturing plant and make the country its regional production and export hub in the next five years.
- Swiggy, a food delivery start-up owned by Bundl Technologies Private Limited, has raised Rs 230.34 crore (US\$ 33.80 million) in a Series C funding round, with its existing investors SAIF Partners, Accel Partners, Norwest Venture Partners and Apoletto Asia Ltd contributing 79 per cent of the new funds raised.
- Gujarat Cooperative Milk Marketing Federation (GCMMF), popularly known as 'Amul', plans to invest Rs 5,000 crore (US\$ 733.6 million) to establish ten new processing plants as well as expand the current capacity to touch 32 million litres per day (MLPD) capacity by 2020.
- American doughnut chain Dunkin' Donuts has tied up with local online grocery delivery platform Grofers for home-delivery of its packaged and freshly made products.
- Private Equity (PE) firm India Value Fund Advisors (IVFA) plans to invest around US\$ 100-150 million in the food business in India over the next two years.
- Zomato, a restaurant search and discovery platform, has raised US\$ 60 million from Singapore government-owned investment company Temasek, along with existing investor Vy Capital, in order to explore new business verticals.
- ITC Limited plans to invest Rs 800 crore (US\$ 117.4 million) to set up a world-class food processing facility in Medak, a district located in Telangana. The company has also formulated plans to enter the dairy market.

Government Initiatives

In order to promote food processing industries, increase level of processing and exploit the potential of domestic and international market for processed food products, Vision Document-2015 was prepared by the Ministry of Food Processing Industries. The document envisages trebling the size of investment in the processed food sector by increasing the level of processing of perishables from 6 per cent to 20 per cent, value addition from 20 per cent to 35 per cent and share in global food trade from 1.5 per cent to 3 per cent by 2015. According to the Ministry, an investment of Rs 100,000 crore (US\$ 14.67 billion) would be required in 2015 to achieve these targets. The Government of India has also relaxed foreign direct investment (FDI) norms for the sector, allowing up to 100 per cent FDI in food product e-commerce through automatic route.

Some of the major initiatives taken by the Government of India to improve the food processing sector in India are as follows:

- The Government of India allocated Rs 1,500 crore (US\$ 225.7 million) and announced various measures under the Merchandise Exports from India Scheme (MEIS), including setting up of agencies for aquaculture and fisheries in coastal states and export incentives for marine products.
- Union Budget 2016-17 has proposed 100 per cent FDI through FIPB (Foreign Investment Promotion Board) route in marketing of food products produced and manufactured in India.
- All of the ration cards in India have been digitised and 42 per cent of the digitised ration cards are now linked to Unique Identification (UID) or Aadhaar cards.
- Government of India plans to allow two Indian dairy companies, Parag Milk Foods and Schreiber Dynamix Dairies, to export milk products to Russia for six months, after these companies got approval for their products by Russian inspection authorities.
- Ms Harsimrat Kaur Badal, Union Minister for Food Processing Industries, Government of India inaugurated the first of its kind Rs 136 crore (US\$ 20 million) mega international food park at Dabwala Kalan, Punjab. She has also expressed confidence that the decision to allow 100 per cent Foreign Direct Investment (FDI) in multi-brand retail with 100 per cent local sourcing condition, will act as a catalyst for the food processing sector, thereby controlling inflation, uplifting the condition of farmers, and creating more jobs in the country.
- The Food Safety and Standards Authority of India (FSSAI) has issued new rules for importing products, to address concerns over the entry of sub-standard items and simplify the process by setting shelf-life norms and relaxing labelling guidelines.
- The Ministry of Food Processing Industries announced a scheme for Human Resource Development (HRD) in the food processing sector. The HRD scheme is being implemented through State Governments under the National Mission on Food Processing. The scheme has the following four components:
 - Creation of infrastructure facilities for degree/diploma courses in food processing sector

- Entrepreneurship Development Programme (EDP)
- Food Processing Training Centres (FPTC)
- Training at recognised institutions at State/National level
- The Food Safety and Standards Authority of India (FSSAI) under the Ministry of Health and Family Welfare has issued the Food Safety and Standards (Food Product Standards and Food Additives) Regulations, 2011 and the Food Safety and Standards (Contaminants, Toxins and Residues) Regulations, 2011 which prescribe the quality and safety standards, respectively for food products.
- The Ministry of Food Processing Industries has taken some new initiatives to develop the food processing sector which will also help to enhance the incomes of farmers and export of agro and processed foods among others.
- Spices Board, set up by the Ministry of Commerce to develop and promote Indian spices worldwide, aims spice exports of US\$ 3 billion by 2017.
- The Government of India has approved the setting up of five numbers of Mega Food Parks in the states of Bihar, Maharashtra, Himachal Pradesh and Chhattisgarh. The Government plans to set up 42 such mega food parks across the country in next three to four years.
- In the Budget 2015-16, a corpus of Rs. 2,000 crore (US\$ 293.44 million) was created under National Bank for Agriculture and Rural Development (NABARD) to provide cheaper credit to food processing industry. Excise duty on plant and machinery for packaging and processing has been brought down to six per cent from 10 per cent.

Road Ahead

Going forward, the adoption of food safety and quality assurance mechanisms such as Total Quality Management (TQM) including ISO 9000, ISO 22000, Hazard Analysis and Critical Control Points (HACCP), Good Manufacturing Practices (GMP) and Good Hygienic Practices (GHP) by the food processing industry offers several benefits. It would enable adherence to stringent quality and hygiene norms and thereby protect consumer health, prepare the industry to face global competition, enhance product acceptance by overseas buyers and keep the industry technologically abreast of international best practices.

Source: Indian Brand Equity Foundation

SITE VISIT REPORT
Manufacturing facility

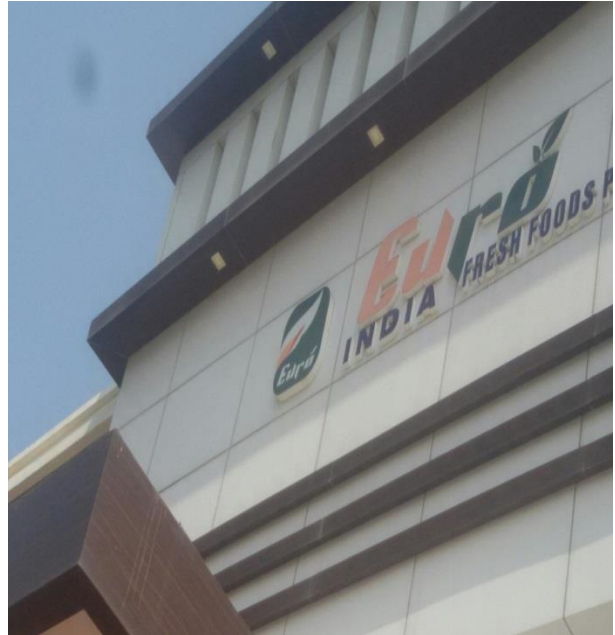
Location of Plant	Plot No. A 22/1 G.I.D.C. Ichhapore, Surat, Gujarat – 394510
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Sites visited	Plot No. A 22/1 G.I.D.C. Ichhapore, Surat, Gujarat – 394510
Presence in a cluster	No
Area of the unit	Approx. 7228.40 sq. mtrs.
No. of employees at site	239
Ownership of premises	Owned
Other facilities	Boundary wall, Sign boards, fire extinguisher, Stock yard.

Adequacy of Warehousing Facilities

Availability of land for future expansion	Adequate
Site layout	Structured
Adequacy of insurance coverage	Fully insured
Source of power	State Electricity board
Adequacy of power	Good
Presence of labour union	No
Industrial relations	Good
Level of work safety	Adequate
Adequacy of storage facilities	Adequate
Operational status of plants	Operational

Plant Photographs



FINANCIAL PERFORMANCE - PROFITABILITY STATEMENT
Rs. In Lakh

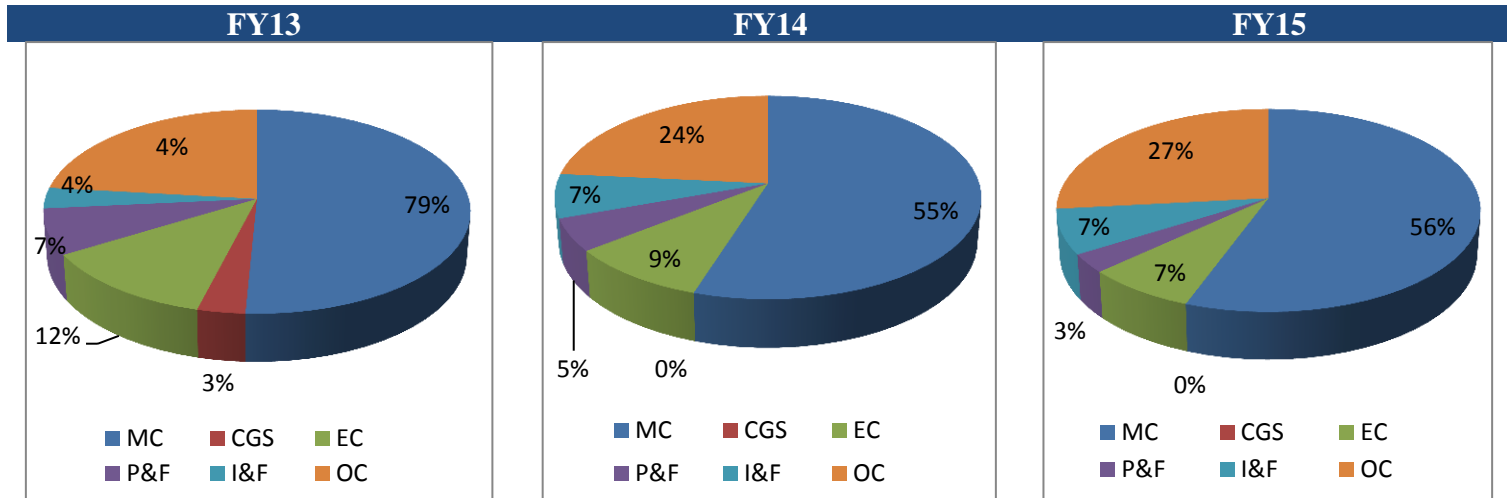
Period Ends on: March 31,	2013	2014	2015	2016
Result Type:	Actual	Actual	Actual	Actual
Number of months in current financial year	12	12	12	12
Net Sales	1179.59	4773.82	4230.78	4740.32
Other Income(related to operations)	1.36	11.46	58.44	15.72
Total Operating Income	1180.95	4,785.28	4,289.22	4,756.04
Material Costs	789.65	2,438.47	2,292.56	2,627.58
Costs of traded goods sold	46.13	155.28	-	-
[Accretion] : Decretion to Finished Goods Stock	-184.23	-84.46	47.19	-24.53
Consumable Stores	1.75	13.82	8.64	10.23
Power and Fuel	117.13	346.85	215.35	139.93
Employee Costs	93.49	589.84	394.19	355.21
Other Manufacturing Expenses	28.79	221.47	255.38	519.88
Other Expenses	32.59	211.36	299.84	327.55
Selling Expenses	184.63	594.94	273.17	228.70
Cost of Sales	1109.92	4,487.57	3,786.32	4,184.55
PBILD	71.03	297.71	502.89	571.49
Depreciation	26.42	86.65	151.23	183.16
PBIT	44.61	211.05	351.67	388.33
Interest and Finance Charges	35.1	158.70	291.31	338.95
Operating Profit Before Tax (OPBT)	9.5	52.36	60.36	49.39
Operating Profit After Tax (OPAT)	-17.06	2.11	1.54	1.98
Non-Operating Income / (Expense)	0	1.47	0.40	-
Profit Before Tax (PBT)	9.5	53.83	60.76	49.39
Cash Adjustments	0	-0.74	-	-
Adjusted Profit Before Tax (APBT)	9.5	53.09	60.76	49.39
Tax	0	-	-	-
Provision for Deferred Tax	26.56	50.95	59.21	47.40
ADJUSTED PROFIT AFTER TAX (APAT)	-17.06	2.14	1.55	1.98
Gross Cash Accruals	35.92	139.74	211.99	232.54

Comments:
Revenue analysis
Rs. In Lakh

Parameters	FY13	FY14	FY15	FY16
Net Sales	1179.59	4773.82	4230.78	4740.32
<i>% y-o-y growth</i>	NM	304.70%	-11.38%	12.04%
Other Income (related to operations)	1.36	11.46	58.44	15.72
<i>% y-o-y growth</i>	NM	742.65%	409.95%	-73.10%
Total Operating Income	1180.95	4785.28	4289.22	4756.04
<i>% y-o-y growth</i>	NM	305.21%	-10.37%	10.88%

- EIFFL's total operating income (TOI) consists of sales of Potato chips, fried extruded snacks, salted snacks (Namkeen), mineral water and fruit beverages.
- TOI had witnessed multifold increase in FY14 over FY13 due to new product additions of beverages, mineral water and extruder snacks.
- Net sales grew by 12.04% to Rs.4740.32 Lakh in FY16 from Rs.4230.78 Lakh in FY15 with increase in client base and orders. However net sales of the company has been kept fluctuating during FY13 - FY16 due to fluctuating demand and market conditions.
- Other income includes interest on FDs and Rent and other miscellaneous receipts.

FINANCIAL PERFORMANCE - COST STRUCTURE



MC = Material cost; CGS = Cost of goods sold; EC = Employee cost; P&F = Power and fuel; I&F = Interest and finance charges; OC = other cost (including depreciation);

Comments:

Material Costs constituted the highest pie in the cost structure during FY14 to FY16. While employee costs decreased from Rs.589.84 Lakh in FY14 to Rs.355.21 Lakh in FY16, the power and fuel costs decreased from Rs.346.85 Lakh in FY14 to Rs.139.93 Lakh in FY16 on account of automation of plant and machineries and cost effective measures taken by management. Fixed capital charges (depreciation and finance costs) covered 10.98 portions of the total costs for FY16.

Material cost analysis

Parameters	FY13	FY14	FY15	FY16
Material cost (Rs. lakh)	789.65	2438.47	2292.56	2627.58
% y-o-y growth	NM	208.80%	-5.98%	14.61%
As % of TOI	66.87%	50.96%	53.45%	55.25%
As % to cost of sales	71.14%	54.34%	60.55%	62.79%

- EIFFL being engaged into manufacturing Potato chips, Extruder snacks, Packaged drinking (mineral) water & fruit beverages (Juices). EIFFL procures raw material (Potato, Oil, Packaging material, sugar and others) from the suppliers based in the domestic market.

- Material costs as a % of TOI increased from 50.96% in FY14 to 55.25% in FY16 but it was 66.87% during FY13, impacting the margins on account of increasing price competition and volatile nature raw material prices.

Power & fuel cost

Parameters	FY13	FY14	FY15	FY16
Power & fuel cost (Rs. lakh)	117.13	346.85	215.35	139.93
% <i>y-o-y growth</i>	NM	196.12%	-37.91%	-35.02%
As % of TOI	9.92%	7.25%	5.02%	2.94%
As % to cost of sales	10.55%	7.73%	5.69%	3.34%

- Being engaged into manufacturing, power and fuel (P&F) costs are one of the highest contributor to cost of sales and remained in the range of 2.94% to 7.25% of TOI during the FY13-FY15.

Employee cost

Parameters	FY13	FY14	FY15	FY16
Employee cost (Rs. lakh)	93.49	589.84	394.19	355.21
% <i>y-o-y growth</i>	NM	530.91%	-33.17%	-9.89%
As % to total operating income	7.92%	12.33%	9.19%	7.47%
As % to cost of sales	8.42%	13.14%	10.41%	8.49%

- EIFFL employs considerable number of manpower for overlooking operations at its manufacturing facility and also qualified personnel for managing administrative, marketing, logistics and accounts and finance. The total number of employees with the company stood at 239 as on September 30, 2016.

Other operating cost items

Parameters	FY13	FY14	FY15	FY16
Selling Expenses (Rs. lakh)	184.63	594.94	273.17	228.7
% y-o-y	NM	222.23%	-54.08%	-16.28%
% of TOI	15.63%	12.43%	6.37%	4.81%
% of cost of sales	16.63%	13.26%	7.21%	5.47%
Other Manufacturing Expenses (Rs. lakh)	28.79	221.47	255.38	519.88
% y-o-y	NM	669.26%	15.31%	103.57%
% of TOI	2.44%	4.63%	5.95%	10.93%
% of cost of sales	2.59%	4.94%	6.74%	12.42%
Other operating Expenses (Rs. lakh)	32.59	211.36	299.84	327.55
% y-o-y	NM	548.54%	41.86%	9.24%
% of TOI	2.76%	4.42%	6.99%	6.89%
% of cost of sales	2.94%	4.71%	7.92%	7.83%

- Selling expenses have remained in the range of 4.81% to 15.63% of TOI during FY13 to FY16 comprising primarily of commission paid to selling agents and expenses incurred towards business development ventures.
- Other manufacturing expenses remained in the range of 2.44% to 10.93% of TOI and comprised of job work expenses incurred and annual maintenance expenses of machines and delivery vehicles (trucks).
- Other operating expenses (include conveyance expenses, legal and professional consultation expenses, auditors remunerations and vehicle running and maintenance expenses) remained stable witnessing marginal increase as a percent of TOI from 4.42% in FY13 to 6.99% in FY15 and again decreased to 6.89% in FY16.

Depreciation

Parameters	FY13	FY14	FY15	FY16
Depreciation (Rs. lakh)	26.42	86.65	151.23	183.16
% y-o-y growth	NM	227.97%	74.53%	21.11%
As % of total operating income	2.24%	1.81%	3.53%	3.85%

- Depreciation expense increased from Rs.26.42 Lakh in FY13 to Rs.183.16 Lakh in FY16 mainly due to additions to plant and machinery, factory building, Computers, vehicles, furniture and fixtures.
- Up to March 31st 2014, depreciation on fixed assets is provided on Straight Line method (SLM) at the rate and manner prescribed in scheduled XIV of the companies Act 1956 over their useful life. With effect from April 1st 2014 depreciation is provided based on useful life of assets as prescribed in Scheduled II of accompanies Act 2013 except no charging of 100% depreciation on assets costing below Rs.5000. The carrying amount as on April 1st 2014 is depreciated over the balance useful life if assets.

Interest and finance charges

Parameters	FY13	FY14	FY15	FY16
Interest and Finance Charges (Rs. lakh)	35.1	158.7	291.31	338.95
<i>% y-o-y growth</i>	NM	352.14%	83.56%	16.35%
As % of TOI	2.97%	3.32%	6.79%	7.13%

- The total interest and finance charges have increased from Rs.158.7 Lakh in FY14 to Rs.338.95 Lakh in FY16.

FINANCIAL PERFORMANCE - BALANCE SHEET:ASSETS
(Rs. In Lakh)

Period Ends on: March 31,	2012	2013	2014	2015	2016
Result Type:	Actual	Actual	Actual	Actual	Actual
Gross Block	110.52	1,759.16	2088.74	3312.36	3438.55
Accumulated Depreciation	-0.53	-26.95	-113.61	-264.43	-447.59
Net Block	109.99	1,732.21	1975.13	3047.92	2990.95
Capital Work in Progress	473.23	402.28	895.48	74.49	74.49
NET FIXED ASSETS	583.21	2,134.48	2,870.61	3,122.41	3,065.44
Other Investments	-	-	-	-	-
TOTAL INVESTMENTS :net of provision	-	-	-	-	-
Raw and Packing Materials	55.73	793.96	1,995.39	1,980.41	2,279.21
Work In Process	-	-	-	-	-
Finished Goods	-	184.23	268.69	221.50	246.04
Stores and Spares	-	16.23	46.10	32.06	44.24
TOTAL INVENTORIES	55.73	994.42	2,310.18	2,233.98	2,569.48
Receivables : More than 6 months	-	-	-	559.06	272.86
Receivables : Less than 6 months	-	120.61	490.85	954.80	1,582.77
TOTAL RECEIVABLES	-	120.61	490.85	1,513.85	1,855.63
Current Loans; Advances; current assets related to operations	145.81	180.38	271.37	169.09	107.34
Cash and Bank Balances	9.38	41.67	52.84	63.91	54.02
Advance Tax Paid	-	1.90	13.02	25.65	35.33
TOTAL OTHER CURRENT ASSETS	155.19	223.95	337.23	258.65	196.69
TOTAL CURRENT ASSETS related to operations	210.92	1,338.98	3,138.26	4,006.48	4,621.80
TOTAL ASSETS	806.24	3,485.44	6,034.01	7,160.92	7,722.87

Comments:
Fixed assets
Composition of net fixed assets

- EIFFL's fixed assets primarily comprise of plant & machineries (~47% of net fixed assets as on March 31, 2016), Factory building (~40%), land (~2.18%), Furniture and fixtures (~6.44%), office equipments and vehicles.
- During FY14, EIFFL had made huge addition in plant & machinery to addition of new product line viz. beverages, mineral water and extruder snacks. Further, it has constantly increased its fixed asset in FY15 and FY16 by constantly upgrading the machinery used for production.

Inventories

Parameters: As on March 31,	2012	2013	2014	2015	2016
Raw and Packing Materials (Rs. lakh)	55.73	793.96	1995.39	1980.41	2279.21
<i>Average Raw Material Inventory Period (days)</i>	-	194	206	312	292
Finished Goods (Rs. lakh)	-	184.23	268.69	221.5	246.04
<i>Average Finished Goods Inventory Period (days)</i>	-	36	21	25	21
Stores and Spares (Rs. lakh)	-	16.23	46.1	32.06	44.24
Total inventories (Rs. lakh)	55.73	994.42	2310.18	2233.98	2569.48
<i>Average Inventory Period (days)</i>	-	204	153	233	219
Total inventory as % of total assets	6.91%	28.53%	38.29%	31.20%	33.27%

- Total inventory primarily comprises of finished goods inventory (~10% of total inventory as on March 31, 2016), raw material inventory (88.70% of total inventory as on March 31, 2016) and stores and spares.
- EIFFL manufactures potato chips, extruder snacks, packaged drinking (mineral) water & fruit beverages (Juices). The company maintains sufficient stock of raw material (potato, oil, packaging material and others) and finished goods inventory to meet regular demand from distributors and wholesalers.

Sundry debtors

Parameters: As on March 31,	2013	2014	2015	2016
Total Receivables (Rs. lakh)	120.61	490.85	1513.85	1855.63
<i>Average Collection Period (days)</i>	18	23	84	128
<i>As % of net sales</i>	10.22%	10.28%	35.78%	39.15%
As % of total assets	3.46%	8.13%	21.14%	24.03%

- EIFFL's total receivables outstanding as on March 31, 2016 consist primarily of dues receivable from distributors/wholesalers that are offered a credit period of 45-60 days and further as per management discussion EIFFL has not recorded bad debts in the past. The average collection period has significantly increased during FY15 & FY16 due to liberal credit period offered to distributors and wholesalers.

Ageing analysis of debtors
(Rs. Lakh)

Particulars	Less than 6 months	More than 6 months	Total
Debtors as on March 31, 2016	1582.77	272.86	1855.63
Debtors as on March 31, 2015	954.80	559.06	1513.85
Debtors as on March 31, 2014	490.85	-	490.85
Debtors as on March 31, 2013	120.61	-	120.61

- For the past 4 balance sheet dates ending March 31, 2016 most of the debtor receivables are due for less than 6 months. As per management discussion, debtors outstanding for more than 6 months as on March 31, 2016 are recovered as of September 30, 2016.

Other current assets
(Rs. Lakh)

Parameters: As on March 31,	2012	2013	2014	2015	2016
Other current assets	155.19	223.95	337.23	258.65	196.69
As % of total assets	19.25%	6.43%	5.59%	3.61%	2.55%
Advance tax paid	0	1.9	13.02	25.65	35.33
Cash & bank balances	9.38	41.67	52.84	63.91	54.02
<i>Cash on hand</i>	7.32	3.00	17.13	27.43	26.68
<i>Balances with banks in current accounts</i>	0.30	38.67	35.71	36.48	27.34

- Other operating current assets as on March 31, 2016 comprise of prepaid expenses balances with government authorities and loans and advances which are paid to suppliers. It also maintains sufficient cash balance to meet the regular business requirements.

FINANCIAL PERFORMANCE - BALANCE SHEET: LIABILITIES
Rs. In Lakh

Period Ends on: March 31	2012	2013	2014	2015	2016
Result Type:	Actual	Actual	Actual	Actual	Actual
Total Paid Up Equity Share Capital	125.00	525.00	1,000.00	1,000.00	2,000.00
Share Application Money pending allotment	43.15	-	-	-	-
Miscellaneous expenses not written off	-61.12	-4.59	-6.11	-4.29	-
Debit Balance in Profit and loss Account	0.00	-17.06	-14.92	-13.37	-11.39
NET RESERVES	-61.12	-21.65	-21.03	-17.66	-11.39
TANGIBLE NET WORTH	107.03	503.35	978.97	107.03	503.35
Interest Free Loans	0	0	0	0	0
Rupee Term Loans	292.71	851.86	1,350.28	1,320.83	1,070.27
Other Long Term Loans	34.96	75.05	62.34	52.00	56.22
Loans and advances from promoters related parties	261.15	908.39	1,168.19	2,128.79	1,763.37
TOTAL LONG TERM DEBT	588.82	1,835.31	2,580.81	3,501.62	2,889.87
Less: Current portion of long term debt	0	0	0	0	0
NET LONG TERM DEBT	588.82	1,835.31	2,580.81	3,501.62	2,889.87
Working capital Bank Borrowings	16.57	313.19	938.59	1,231.11	1,210.79
Current portion of long term debt					
Short term loans					
TOTAL SHORT TERM DEBT	16.57	313.19	938.59	1,231.11	1,210.79
Creditors for goods	27.61	296.81	1076.00	1038.55	867.54
Creditors for Expenses	0.79	72.34	172.33	90.59	342.06
Creditors for Capital goods	65.24	88.56	0.00	0.00	0.00
Advances; deposits recd from customers: related to ops.	-	108.70	0.58	0	-
Other Current Liabilities: related to ops.	0.19	35.52	30.58	34.43	105.92
TOTAL CURRENT LIABILITIES	93.82	601.93	1,279.49	1,163.57	1,315.51
Provision for Taxes	-	1.81	11.21	11.71	7.58
Other Provisions ; regular	-	4.70	11.96	0.60	0.60
Provision for dividend					
TOTAL SHORT TERM PROVISIONS	-	6.51	23.17	12.31	8.18
TOTAL CURRENT LIABILITIES AND PROVISIONS; RELATED TO OPERATIONS	93.82	608.44	1,302.66	1,175.87	1,323.69
TOTAL OUTSIDE LIABILITIES	605.39	2,347.09	3,674.86	4,865.99	4,226.44
TOTAL LIABILITIES	806.24	3,485.44	6,034.01	7,160.92	7,722.87

Comments:
Equity share capital

- EIFFL has an authorized share capital of 200.00 lakh equity shares with nominal value of Rs.10/- each. It has an issued, subscribed and paid up capital of 200.00 lakh shares of Rs. 10/- each full paid up as on March 31, 2016.
- During FY16, promoters of EIFFL infused equity share capital into the business to the tune of Rs.1000.00 Lakh by issuing 100.00 lakh shares @ Rs.10/- each.

Long-term borrowings

- The total long term debt outstanding as on March 31, 2016 consists of secured term loans (worth Rs.1070.27 Lakh), unsecured loans from promoters and related parties (worth Rs. 1,763.37 Lakh).
- The company had availed additional term loans during FY13-14 to purchase plant and machinery for the addition of new product line. Furthermore, promoters and related parties also infuse unsecured loans as and when required to support the operation of the company.

Short term borrowings

- Short term debt consists of cash credit limit of Rs.1210.79 Lakh as against total sanctioned limit of Rs.1175.00 Lakh outstanding as on March 31, 2016 availed to meet the working capital requirements since considerable funds are being blocked in receivables and inventory.

Trade payable
(Rs. Lakh)

Parameters: As on March 31,	2012	2013	2014	2015	2016
Trade payable (Rs. lakh)	27.61	296.81	1076	1038.55	867.54
Average Creditors Period (days)	-	64	65	113	100
As % of total liabilities	3.42%	8.52%	17.83%	14.50%	11.23%

- EIFFL's trade payables outstanding as on March 31, 2016 include creditors for goods. The average creditor period stood at 100 days in FY16 (compared to 113 days in FY15) as EIFFL receives credit period of 90-120 days from its suppliers.

Short term provision
(Rs. Lakh)

Parameters: As on March 31,	2013	2014	2015	2016
Total short term provisions	6.51	23.17	12.31	8.18
Provision for income tax	1.81	11.21	11.71	7.58
Other Provision	4.70	11.96	0.60	0.60
As % of total liabilities	0.19%	0.38%	0.17%	0.11%

- Other provision includes provision for income tax (Rs.5.78 lakh as on March 31, 2016) and other provisions (Rs.0.60 Lakh as on March 31, 2016).

Details of the related party transactions

Related Party	Nature of the Relationship
Mr. Mahesh V Mavani	Director
Mr. Manharbhai Sanspara	Director
Mr. Dineshbhai Sanspara	Director
Krishna Enterprises	Part of Promoter group
Mr. Jayantbhai Sanspara	Relative
Mr. Jivanbhai Raghavbhai Trust	Relative
Euro Snacks	Part of Promoter group
Euro India Foods	Part of Promoter group
Euro India Beverages	Part of Promoter group

(Rs. Lakh)

Name of related Party	Nature of transaction	Amount of Transaction Debited in 2011-12	Amount of Transaction Credited in 2011-12	Amount Outstanding as on march 31, 2012 (Payable)/Receivable	Amount of Transaction Debited in 2012-13	Amount of Transaction Credited in 2012-13	Amount Outstanding as on march 31, 2013 (Payable)/Receivable	Amount of Transaction Debited in 2013-14	Amount of Transaction Credited in 2013-14	Amount Outstanding as on march 31, 2014 (Payable)/Receivable	Amount of Transaction Debited in 2014-15	Amount of Transaction Credited in 2014-15	Amount Outstanding as on march 31, 2015 (Payable)/Receivable	Amount of Transaction Debited in 2015-16	Amount of Transaction Credited in 2015-16	Amount Outstanding as on march 31, 2016 (Payable)/Receivable
Mr. Mahesh V Mavani	Unsecured Loan	125.00	75.00	-	-	119.00	(119.00)	-	-	(119.00)	-	59.00	(178.00)	-	38.50	(216.50)
Mr. Manharbhai Sanspara	Unsecured Loan	57.80	93.93	(144.38)	368.85	310.75	(68.28)	58.63	240.15	(249.80)	30.94	373.86	(592.71)	568.11	393.50	(418.10)
	Share Application	-	5.15	(5.15)	199.35	194.20	-	-	-	-	-	-	-	-	-	-
Mr. Dineshbhai Sanspara	Unsecured Loan	70.00	133.90	(117.05)	228.66	303.00	(191.39)	-	13.00	(204.39)	2.00	665.00	(867.39)	503.50	234.00	(597.89)
	Share Application	-	38.00	(38.00)	200.65	162.65	-	-	-	-	-	-	-	-	-	-
Krishna Enterprises	Rent expenses	-	-	-	-	2.80	(2.80)	7.12	4.32	-	-	4.32	(4.32)	-	3.96	(8.28)

Mr. Jayantbhai Sanspara	Sales	-	-	-	-	-	-	-	-	-	-	-	-	-	1.88	-	1.88
Mr. Jivanbhai Raghavbhai Trust	Donation	-	-	-	-	-	-	0.51	0.51	-	-	-	-	-	-	-	-
Euro Snacks	Rent Income	-	-	-	-	-	-	-	-	-	2.19	0.10	2.10	2.23	0.34	3.99	
	Jobwork	-	-	-	-	-	-	-	-	-	-	16.40	(16.40)	27.50	170.74	(159.64)	
Euro India Foods	Jobwork	-	-	-	-	-	-	-	-	-	-	-	-	11.35	49.33	(37.98)	
	Rent Income	-	-	-	-	-	-	-	-	-	3.78	0.34	3.44	3.83	-	7.27	
Euro India Beverages	Jobwork	-	-	-	-	-	-	-	-	-	4.30	32.81	(28.50)	66.61	89.87	(51.76)	
	Rent Income	-	-	-	-	-	-	-	-	-	1.37	0.12	1.25	1.39	0.12	2.51	
	Sale of Machinery	-	-	-	-	-	-	63.90	49.13	14.77	-	-	14.77	-	-	14.77	

Dividend Policy

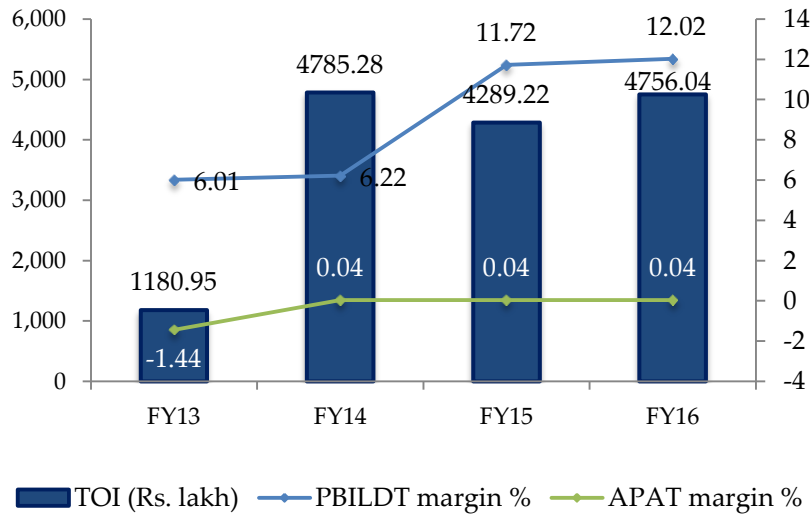
EIFFL does not have a formal dividend policy.

FINANCIAL PERFORMANCE - SUMMARY OF RATIOS

Period Ends on: March 31,	2012	2013	2014	2015	2016
Result Type:	Actual	Actual	Actual	Actual	Actual
KEY FINANCIAL RATIOS					
Growth Ratios					
Growth in Net sales	NM	NM	304.70	-11.38	12.04
Growth in Total Operating Income	NM	NM	305.20	-10.37	10.88
Growth in PBILDT	NM	NM	319.14	68.92	13.64
Growth in APAT	NM	NM	-112.54	-27.65	27.92
Profitability Ratios					
Gross Margin	NM	44.77	47.44	44.70	45.09
PBILDT Margin	NM	6.01	6.22	11.72	12.02
PBIT Margin	NM	3.78	4.41	8.20	8.17
OPBT Margin	NM	0.80	1.09	1.41	1.04
OPAT Margin	NM	-1.44	0.04	0.04	0.04
APAT Margin	NM	-1.44	0.04	0.04	0.04
Operating ROCE	NM	3.46	7.07	7.43	6.48
ROCE (Total)	NM	2.58	5.85	6.75	6.40
RONW	NM	-5.59	0.29	0.16	0.13
Average Cost of Borrowings	NM	2.55	5.60	7.06	7.67
Turnover Ratios					
Operating Capital Turnover Ratio	NM	0.92	1.60	0.91	0.79
Fixed Assets Turnover Ratio	NM	1.26	2.49	1.59	1.41
Working Capital Turnover Ratio	NM	2.36	3.61	1.84	1.55
Average Raw Material Inventory Period	NM	193.69	205.90	312.16	291.80
Average Finished Goods Inventory Period	NM	35.84	20.94	25.12	21.27
Average Inventory Period (days)	NM	204.29	152.81	232.82	218.57
Average Collection Period (days)	NM	18.38	23.00	84.13	127.52
Average Creditors Period (days)	NM	64.47	64.88	113.02	100.60
Working Capital Cycle (days)	NM	158.20	110.93	203.93	245.49
Solvency Ratios					
Debt Equity Ratio	5.50	3.65	2.64	3.56	1.45
Overall Gearing Ratio (Including Acceptances / Creditors on LC)	5.66	4.27	3.59	4.82	2.06
Overall Gearing Ratio (Excluding Acceptances / Creditors on LC)	5.66	4.27	3.59	4.82	2.06
Adjusted Debt Equity Ratio	5.50	3.65	2.64	4.69	2.00
Adjusted Overall Gearing	5.66	4.27	3.59	5.94	2.61
Term Debt (including CPLTD) / Gross Cash Accruals	-	51.09	18.47	16.52	12.43
Total Debt / Gross Cash Accruals	-	59.81	25.18	22.33	17.63
Interest Coverage (PBILDT / Interest)	-	2.02	1.88	1.73	1.69
PBIT / Interest	-	1.27	1.33	1.21	1.15
Adjusted Interest Coverage	-	2.02	1.88	1.73	1.69
Current Ratio	1.91	1.45	1.40	1.66	1.82
Quick Ratio	1.41	0.37	0.37	0.74	0.81

FINANCIAL PERFORMANCE – PROFITABILITY Analysis

Profitability Analysis

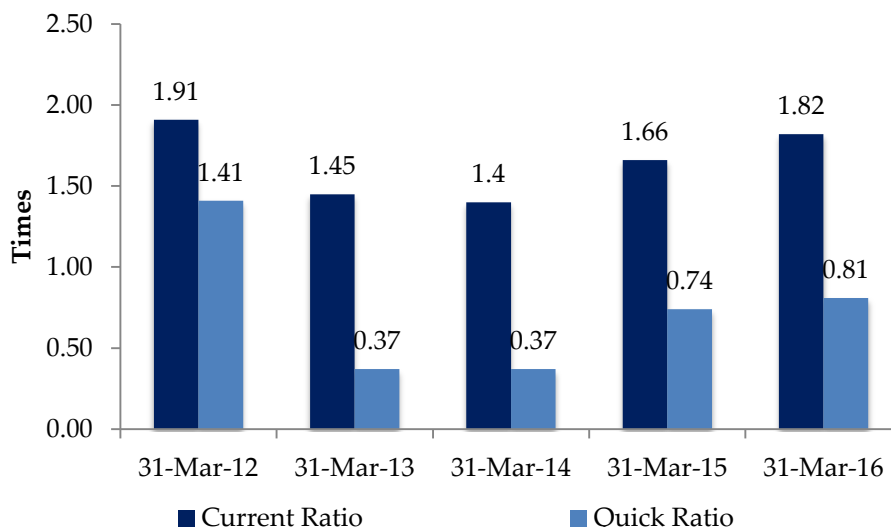


Comments:

- EIFFL is engaged into manufacturing Potato chips, Extruder snacks, Packaged drinking (mineral) water & fruit beverages (Juices). TOI grew significantly from Rs.1180.95 Lakh in FY13 to Rs.4785.28 Lakh in FY14 due to addition of new product lines coupled with increase in client base: however it had declined to Rs.4289.22 lakh in FY15 and then gradually increased to Rs.4756.04 lakh in FY16 due to uneven demand from the market.
- The PBILDT margins have witnessed a steady rise in the past four years (from 6.01% in FY13 to 12.02% in FY16) on account of improving operational efficiency and better realization.
- Despite a steady improvement in operating margins, PAT margins remained constant at 0.04% during FY14-FY16.

FINANCIAL PERFORMANCE - LIQUIDITY ANALYSIS

Liquidity Analysis



Liquidity Ratio

Particulars	March 31, 2014	March 31, 2015	March 31, 2016
Working Capital Turnover Ratio	3.61	1.84	1.55
Average Raw Material Inventory Period	206	312	292
Average Finished Goods Inventory Period	21	25	21
Average Inventory Period (days)	153	233	219
Average Collection Period (days)	23	84	128
Average Creditors Period (days)	65	113	101
Working Capital Cycle (days)	111	204	245

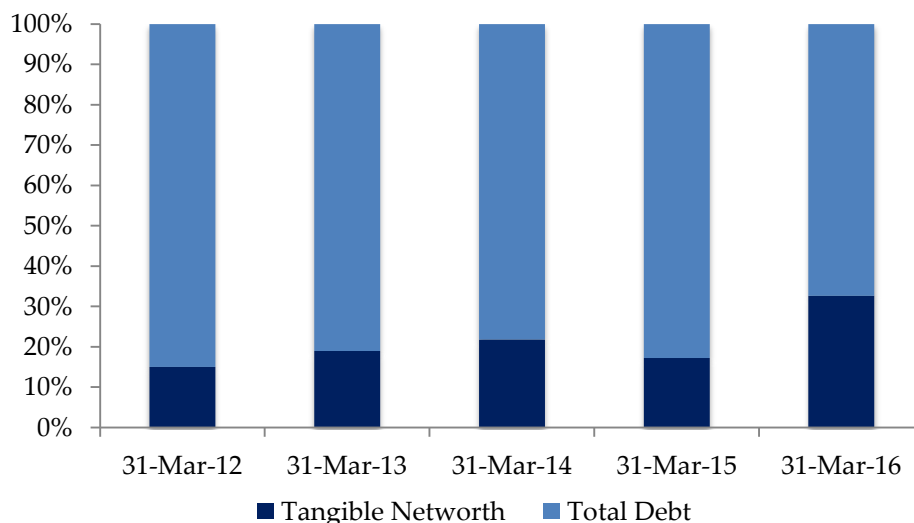
Comments:

- EIFFL’s liquidity position is marked by comfortable current ratio and moderate quick ratio and high level of utilization of its working capital limits. While the current ratio was at 1.82 times, its quick ratio remained low at 0.81 times as on March 31, 2016 due to high level of inventory.
- The operations of EIFFL are working capital intensive in nature (with average utilization of around 100% of cash credit facility of Rs.1175.00 Lakh from Central Bank of India during the twelve months ending October 2016 with some instances of overdrawn observed in the account) since considerable amount are blocked in inventory and receivables.

- The company manufactures a diversified product portfolio and maintains necessary inventory of raw material and finished goods to cater to demands of its customers which primarily comprise of wholesalers and stockiests of snacks and beverages. EIFFL offers its customers ~120 days of credit. It procures raw material from domestic suppliers and it gets ~90 days credit from them. While cash flow from operating activities was positive, the unencumbered cash & bank balance was around Rs.54.02 lakh as on March 31, 2016.
- EIFFL is planning to raise Rs.2376.00 Lakh through listing on NSE emerge platform. Out of which Rs.990 lakh are fresh issue. It plans to utilize proceeds of the issue (about 82.5%) to meet working capital requirements while remaining will be utilized to meet expenses of issue (about 2.5%) and other general corporate purpose (about 15%).

Average monthly fund-based (Cash Credit) working capital utilization level (Central bank of India)

Month	Sanctioned Limit (Rs. Lakh)	Average monthly utilization (Rs. Lakh)	Maximum monthly utilization (Rs. Lakh)	Average monthly utilization (%)	Maximum monthly utilization (%)
November 2015	1175.00	1175.00	1188.02	100.00	101.11
December 2015	1175.00	1175.00	1188.42	100.00	101.14
January 2016	1175.00	1175.00	1198.93	100.00	102.04
February 2016	1175.00	1175.00	1193.79	100.00	101.60
March 2016	1175.00	1175.00	1192.47	100.00	101.49
April 2016	1175.00	1175.00	1206.50	100.00	102.68
May 2016	1175.00	1175.00	1208.73	100.00	102.87
June 2016	1175.00	1175.00	1224.82	100.00	104.24
July 2016	1175.00	1175.00	1219.82	100.00	103.81
August 2016	1175.00	1175.00	1199.52	100.00	102.09
September 2016	1175.00	1175.00	1189.37	100.00	101.22
October 2016	1175.00	1175.00	1188.44	100.00	101.14

FINANCIAL PERFORMANCE - FINANCIAL FLEXIBILITY
Capital Structure

Capital Structure Ratio

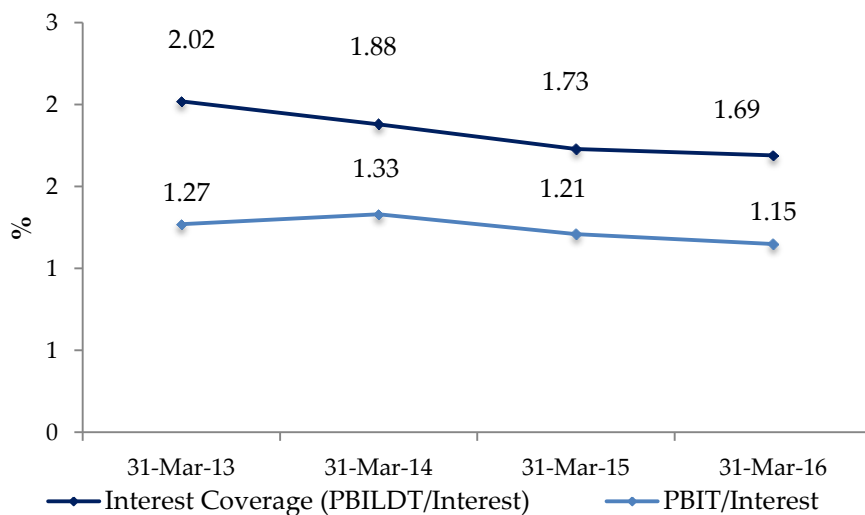
Particulars	Mar 31, 2014	Mar 31, 2015	Mar 31, 2016
Debt Equity Ratio	2.64	3.56	1.45
Overall Gearing Ratio (Including Acceptances / Creditors on LC)	3.59	4.82	2.06
Overall Gearing Ratio (Excluding Acceptances / Creditors on LC)	3.59	4.82	2.06
Adjusted Debt Equity Ratio	2.64	4.69	2.00
Adjusted Overall Gearing	3.59	5.94	2.61
Average Cost of Borrowings	5.60	7.06	7.67
Total Outside Liabilities to Networth	5.06	6.14	2.79

Comments:

The long term debt level seems to be moderate marked by debt equity ratio of 1.45 times and overall gearing was moderately high at 2.06 times as on March 31, 2016. Overall gearing has marginally improved y-o-y in FY16 on account of accretion of profits to reserves and rising of equity share capital. With moderately high gearing level and average creditor period of 101 days, total outside liabilities as compared to total net worth remained moderately high at 2.79 times as on March 31, 2016. However, some comfort can be derived from the fact that total term debt of Rs.4100.66 Lakh includes unsecured loans from promoters and related parties to the tune of Rs.1232.49 Lakh (non-interest bearing).

FINANCIAL PERFORMANCE - DEBT PROTECTION INDICATORS

Debt Coverage



Comments:

With high dependence on working capital bank borrowings, the debt coverage indicators of EIFFL stood weak marked by total debt to GCA of 17.63 times as on March 31, 2016 (as against 22.33 times as on March 31, 2015) and interest coverage of 1.69 times in FY16 (as against 1.73 times in FY15).

BANKERS & AUDITORS DUE DILIGENCE

Stake holder		Feedback
Bankers & Lenders- Central Bank of India	Mr. K.B. Mehta	Satisfactory
	Credit Manager	
	0261 2591064	
	November 15, 2015	
Auditor M/s J. N. Shah & Co.	Mr. Jignesh Shah	Satisfactory
	Proprietor	
	0261 2471400, 9825131608	

Remarks

- The banker has confirms the delays in servicing of debt obligations and overdrawals in the working capital facilities utilized during last 12 months ended October 30, 2016.

Management's response – *The management also confirmed delays in repayment of term loans and overdrawing in its working capital limits. The delays were primarily on account of stretched liquidity position. However the company also availed ad-hoc limits as and when required.*

Key Findings

Key Findings	Company Comment	CARE Comment
<p>High reliance on promoter family in key decision making.</p> <p>(Majority of the critical decisions in the company are being taken by promoter family)</p>	<p>As per management, EIFFL has hired qualified personnel to manage accounts and finance, production and marketing functions of the company.</p>	<p><i>EIFFL has only shared details of a few of the second line management personnel. Mr. Mukesh Ambabhai Navadia has been involved in management of company since long time and is currently the CEO of EIFFL. Going forward, the ability of the company to separate management and owners remains to be seen.</i></p>
<p>Low utilization of production capacity</p>	<p>As per the management, EIFFL capacity utilization is as per industry standards. However, management expects better utilization from new/upgraded machinery installed. It is upgrading its machinery at its existing plant.</p>	<p><i>CARE expects that with modification of its existing plant and increase in marketing activities, EIFFL will be able to cater to domestic as well as foreign market better and as per management, as the demand increases the company will have better capacity utilization in future.</i></p>
<p>High reliance on WC Bank borrowings</p>	<p>The management has stated that it has to make some advance payments to Suppliers who are primary raw material supplier of EIFFL and manages interest and principal repayment to banks through working capital limits. Customers (especially distributors) make payments after 3-5 months. Further, though it utilizes the facilities fully, banker has conformed delays in servicing interest payment.</p>	<p><i>CARE understands that in order to maintain competitiveness, EIFFL offer high credit period to its customers and advance payments are necessary to avail discounts from its suppliers. Further, company also maintains high level of inventory to fulfill the regular demand from customers. However, ability of the company to manage the working capital cycle efficiently with minimize the use of working capital limits would be critical.</i></p>
<p>Delays in servicing term loan and overdrawing in WC limits</p>	<p>As confirmed by the management, due to stretched liquidity position, there have been delays in repayment of term loans. However the management has regularized its account during the month of October 2016. While the working capital limit still overdue till the month of October 2016.</p>	<p><i>CARE observed the delays in the servicing of term loan during past. Also there has been continuous overdrawing observed in working capital limits during past 12 months ended October 2016. The timely repayment of the term loan and utilization of CC level within the sanctioned limit will be critical from the credit prospects of the company.</i></p>

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