

Press Release

Bakewell Biscuits Private Limited

July 22, 2019

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 28.36 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) and short term rating of '**ACUITE A4 plus**' (read as **ACUITE A four plus**) to the Rs.28.36 crore bank facilities of BAKEWELL BISCUITS PRIVATE LIMITED (BBPL). The outlook is '**Stable**'.

BBPL, incorporated in 2004, is based out of Gujarat and promoted by Mr. Mohammed Raish G. Suthar and Mr. Hiteshkumar B. Patel. The company is engaged in manufacturing of biscuits and confectionery products. The company is a 100 percent export unit with its registered brand name 'FUN2'. The company is ISO22000-2005 certified, FASSAI, FDA certified and Halal certified. Currently, the company has a manufacturing unit at Modasa (Gujarat) with an installed capacity of 19680 ton per annum.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of Bakewell Biscuits Private Limited to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management**

BBPL is engaged in the manufacturing of biscuits and confectionery products for the last 15 years. The company is engaged in manufacturing biscuits and have recently added new products such as lollipop, bubble gum and toffee in the business.

Acuite believes that promoters' industry experience and established relations with customers and suppliers will help to increase and sustain revenues for the company in near to medium term.

- **Funding support from promoters**

The promoters have constantly infused capital in the business which is visible with year on year increase in net worth over and above the net profit earned. BBPL has increased its share capital from Rs.0.63 crore in FY16 to Rs.3.00 crore in FY19. In addition, Rs.2.15 crore of unsecured loans from Directors are subordinated to bank debt. Thus, funding support from promoters has led to reduced dependence on external borrowings.

- **Healthy revenue growth**

BBPL currently operates on a small scale; however, the company has registered a CAGR of 32 percent over the last 5 years from FY2015 to FY2019. The revenue has increased from Rs.12.72 crore in FY2015 to Rs.38.81 crore in FY2019 (Provisional) mainly on account of increase in capacity and addition of new products in the business.

Weaknesses

- Working capital intensive nature of operations**

BBPL extends around 90 days credit to customers and takes advances of around 10-30 percent. It avails 180 days packing credit. The company has Gross Current Assets (GCA) of 219 days in FY2019 (Provisional) as against 233 days in FY2018. The high GCA is on account of high debtor days of 126 days in FY2019 as against 124 days in FY2018.

- Moderate financial risk profile**

The financial risk profile is moderate marked by adjusted net worth of Rs.9.50 crore as on 31 March, 2019 (Provisional) as against Rs.6.57 crore as on 31 March, 2018. For arriving at the net worth, the unsecured loan of Rs.2.15 crore has been considered as a part of equity as same is to remain in the business for next few years. The gearing ratio improved to 2.49 times as on 31 March, 2019 (Provisional) as against 3.37 times as on 31 March, 2017.

Interest Coverage Ratio (ICR) stood at 2.35 times for FY2019 (Provisional) and 1.87 times for FY2018. Debt Service Coverage Ratio (DSCR) stood at 2.26 times for FY2019 (Provisional) and 1.24 times for FY2018. The total outside liabilities to tangible net worth (TOL/TNW) stood at 3.04 times as on 31 March, 2019 (Provisional) as against 4.05 times as on 31 March, 2018. The net cash accruals to total debt (NCA/TD) stood at 0.10 times in FY2019 (Provisional) as against 0.06 times in FY2018. The return on capital employed (ROCE) stood at 9.23 percent in FY2019 (Provisional) as against 9.44 percent in FY2018.

Liquidity Position:

Liquidity of BBPL is adequate as evident by net cash accruals and full utilisation of CC limits during the year. BBPL generated cash accruals in the range of Rs.1.00-2.50 crore during the last three years through 2018-19, while the maturing debt obligations were in the range of Rs.0.50-0.70 crore over the same period. The cash accruals are estimated to increase further and remain in the range of Rs.2.00-4.00 crore during 2020-22, while its repayment obligations are estimated to be around Rs.1.00 crore. The cash credit limit of the company remained utilised at 96 per cent during the last 6 months ended June 2019. The company maintains unencumbered cash and bank balances of Rs.0.12 crore as on March 31, 2019. The current ratio stood at 1.05 times as on March 31, 2019. Acuite believes that the liquidity of the company will remain moderate over the near to medium term because of increasing net cash accruals sufficient to service repayment obligations.

Outlook: Stable

Acuite believes that BBPL will continue maintain 'Stable' outlook over the medium term owing to promoters experience and established presence in the industry. The outlook may be revised to 'Positive' in case the company is able to generate substantial and sustainable revenues, further improvement in operating margins and improvement in working capital cycle resulting into improvements in its existing business risk profile. Conversely, the outlook may be revised to 'Negative' in case of substantial decline in revenues and profitability or elongation of the working capital cycle thereby resulting in stretched liquidity position.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	38.81	34.29	31.85
EBITDA	Rs. Cr.	3.94	3.44	3.13
PAT	Rs. Cr.	0.92	0.41	0.17
EBITDA Margin	(%)	10.16	10.02	9.81
PAT Margin	(%)	2.37	1.21	0.55
ROCE	(%)	9.23	9.44	11.45
Total Debt/Tangible Net Worth	Times	2.49	3.37	3.50
PBDIT/Interest	Times	2.35	1.87	1.72
Total Debt/PBDIT	Times	5.59	6.44	5.38
Gross Current Assets (Days)	Days	219	233	186

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>

Note on complexity levels of the rated instrument
<https://www.acuite.in/criteria-complexity-levels.htm>
Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
26-Nov-2018	Term Loans	Long Term	8.36	ACUITE BB- / Stable (Assigned)
	PC / PCFC	Long Term	20.00	ACUITE A4+ (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	8.36	ACUITE BB- / Stable (Reaffirmed)
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE A4+ (Reaffirmed)

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About Acuite Ratings & Research:

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