

Press Release

V P Bedekar and Sons Private Limited (VPBSPL)

13 May, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs.6.00 Cr
Long Term Rating	SMERA B/Stable

*Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA B**' (read as SMERA B) on the above mentioned bank facilities of V P Bedekar and Sons Private Limited (VPBSPL). The outlook is '**Stable**'.

VPBSPL was incorporated in 1943 by Mr. Annasaheb Bedekar. Subsequently, his eldest son Mr. Trimbak V. Bedekar joined the business in 1961. At present, Mr. Vasant V. Bedekar, the youngest son of Mr. Annasaheb, heads the company along with the fourth generation of Bedekars viz. Mr. Atul V. Bedekar, Mr. Ajit V. Bedekar and Mr. Mandar T. Bedekar. The company is engaged in manufacturing of spices and pickles under its brand name 'BEDEKAR'. VPBSPL also manufactures namkeen and ready to eat foods. The company's manufacturing operations are based out of Umbergaon, Valsad (Gujarat) and registered office is in Mumbai, Maharashtra. VPBSPL has 2 units for manufacturing of pickles and spices located at Umbergaon, Valsad while namkeen and ready to eat foods are manufactured at Kartaj, Raigad.

List of Key Rating Drivers and their detailed description

Strengths:

Long track record of operations and experienced management: VPBSPL has been in operations since 1943. The operations of VPBSPL are managed by Mr. Vasant V. Bedekar, the youngest son of the found director Mr. Annasaheb Bedekar along with the fourth generation of Bedekars. The current directors have a combined experience of more than 40 years in this line of business.

Established brand name: VPBSPL is engaged in manufacturing of spices and pickles and retails its products under the brand name 'Bedekar', an established brand in the market.

Moderate working capital intensity: VPBSPL's working capital intensity has been moderate as reflected gross current asset days of 74 on account of moderate inventory levels of 66 days and quick receivables at 8 days.

Weaknesses

Small scale of operations: VPBSPL's operates on a small scale inspite of its long track record of operations. The company's operating income stood at Rs.20.15 cr in FY2015-16 as compared to Rs.16.93 cr in FY2014-15. The increase in operating income in FY2015-16 is on account of increase in marketing and advertising of existing products and adding of new products such as namkeen and ready to eat foods. As per provisionals for FY2016-17, operating income stood at ~Rs.20.00 cr.

Thin Profit margins: VPBSPL's operates on thin EBITDA margins of 1.21 percent in FY2015-16 as compared to EBITDA loss incurred in FY2014-15. PAT margins stood at 27.25 percent in FY2015-16. The net profit margin of the company in FY2015-16 is largely supported by non operating income to the tune of Rs.5.94 cr which includes profit on sale of Residential property to the tune of Rs.5.90 cr.

Below average financial risk profile: VPBSPL's financial risk profile is below average marked by low net worth of Rs.5.90 cr as on 31 March 2016. The company has shifted its manufacturing facilities from Maharashtra to Umbergaon, Gujarat where it acquired 2 units for manufacturing of pickles in 2013 and spices in 2016 for total of Rs.3.90 cr. The acquisition was funded partly through term loan of Rs.2.25 cr and partly from cash inflows from sale of Residential property.

Presence in highly fragmented and competitive food processing industry: VPBSPL operates in highly fragmented and competitive food processing industry with several players in the organised and unorganised segment.

Operating profits susceptible to volatility in raw material prices: VPBSPL's operating profitability is susceptible to volatility in raw material prices such as raw mango, lemon, chillies and turmeric among others which are seasonal and prices depend upon the climatic condition.

Analytical approach: SMERA has considered the standalone business and financial risk profile of VPBSPL to arrive at the rating.

Outlook - Stable

SMERA believes VPBSPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while improving profit margins and improving its capital structure. Conversely, the outlook may be revised to 'Negative' in case of decline in the company's revenues or profit margins, or in case of deterioration in the company's financial risk profile due to higher than expected working capital requirements.

About the Rated Entity – Key Financials

For FY2015-16, the VPBSPL registered net profit of Rs.5.49 cr on operating income of Rs.20.15 cr as against net loss of Rs.0.79 cr on operating income of Rs.16.93 cr in the previous year. The net worth stood at Rs.5.90 cr as on 31 March 2016 as compared to Rs.0.41 cr as on 31 March 2015.

Applicable Criteria

- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Note on complexity levels of the rated instrument:

<https://www.smera.in/criteria-complexity-levels.htm>

Status of non-cooperation with previous CRA: Not Applicable

Any other information: None

Rating History (Upto last three years):

Not Applicable

***Annexure - Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr)	Ratings/Outlook
Cash Credit	N.A.	N.A.	N.A.	2.00	SMERA B/Stable (Assigned)
Term Loan	N.A.	N.A.	N.A.	3.68	SMERA B/Stable (Assigned)
Proposed Fund Based	N.A.	N.A.	N.A.	0.32	SMERA B/Stable (Assigned)

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ABOUT SMERA

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