

Press Release

V P Bedekar and Sons Private Limited

October 04, 2019

Rating Reaffirmed and Assigned



Total Bank Facilities Rated*	Rs. 6.00 Cr.
Long Term Rating	ACUITE B/ Outlook: Stable (Reaffirmed and Assigned)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE B**' (read as **ACUITE B**) on the Rs. 5.74 crore bank facilities and assigned the long term rating of '**ACUITE B**' (read as **ACUITE B**) to the Rs. 0.26 crore bank facilities V P Bedekar and Sons Private Limited (VPBSPL). The outlook is '**Stable**'.

Maharashtra-based, VPBSPL was incorporated in 1943 by Mr. Annasaheb Bedekar. Currently, the company is headed by fourth generation of the family viz. Mr. Atul V. Bedekar, Mr. Ajit V. Bedekar Mr. Vasant V Bedekar and Mr. Mandar T Bedekar. The company is engaged in the business of manufacturing spices, pickles, namkeen and other ready to eat food items under the brand name of 'BEDEKAR'.

Analytical Approach

Acuite has considered standalone business and financial risk profile of VPBSPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Established track record of operations and extensive experience of promoters**

VPBSPL is owned and managed by the Bedekar family with the directors of the company having extensive experience in the ready-to-cook food industry. Currently, the directors of the company, Mr. Atul V. Bedekar, Mr. Ajit V. Bedekar Mr. Vasant V Bedekar and Mr. Mandar T Bedekar, have over four decades of experience in the aforementioned industry. Further, the company has been in the said industry for over seven decades. The extensive experience of the promoters and the established track record of operations of the company has enabled them to establish the brand name 'Bedekar' in the region of Maharashtra.

Weaknesses

- **Modest scale of operations**

The operations of VPBSPL are modest despite the company's presence in the line of business for over seven decades marked by the revenue of Rs. 20.24 crore in FY2019 (Provisional), Rs. 19.49 crore in FY2018 and Rs.19.52 crore in FY2017. Further, the profitability of the company has seen a downward trend marked by the operating margin (EBITDA) of 5.42 per cent in FY2019 (Provisional), 6.34 per cent in FY2018 and 6.72 per cent in FY2017. The profitability of the company is impacted by the intense competition from the organized and unorganized players operating in the same industry.

- **Average financial risk profile**

The financial risk profile of the company is average marked by average net worth, debt protection metrics and coverage indicators. The net worth of VPBSPL stood at Rs. 5.16 crore as on 31 March, 2019 (Provisional) as against Rs. 5.27 crore as on 31 March, 2018. The gearing (debt-equity) stood low at 0.89 times as on 31 March, 2019 (Provisional) as against 0.98 times as on 31 March, 2018. The total debt of Rs. 4.57 crore as on 31 March, 2019 (Provisional) mainly comprises Rs. 1.93 crore of working capital borrowings and Rs. 1.94 crore of long-term debt. The coverage indicators are average marked by interest coverage ratio (ICR) of 1.44 times for FY2019 (Provisional) as against 1.66 times for FY2018. NCA/TD (Net Cash Accruals to Total Debt) ratio stood at 0.08 times in FY2019 (Provisional). Debt to EBITDA stood at 4.17 times in FY2019 (Provisional) as against 4.20 times in FY2018.

Rating Sensitivity

- Scaling up of operations
- Growth in revenues, with improving profitability and stabilized operations
- Stretch in working capital management leading to deterioration of its financial risk profile and liquidity

Material Covenant

None

Liquidity Position

VPBSPL has poor liquidity marked by poor net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs. 0.38 crore for FY2019 (Provisional) against debt obligations of Rs. 0.64 crore for the same period. The cash accruals of the company are estimated to remain in the range of around Rs. 0.52 crore to Rs. 0.70 crore during 2020-22 against repayment obligations of around Rs. 0.45 crore. VPBSPL's working capital operations are intensive marked by gross current asset (GCA) days of 132 days for FY2019 (Provisional). The GCA days of the company are high on account of inventory holding which stood at 86 days in FY2019 (Provisional) as against 81 days in FY2018. The debtor collection period of the company stood at 12 days in FY2019 (Provisional). The company maintains cash and bank balances of Rs. 0.06 crore as on 31 March, 2019 (Provisional). The current ratio stood at 0.90 times as on 31 March, 2019 (Provisional). Acuite believes that the liquidity of VPBSPL is likely to remain stretched over the medium term on account of below average cash accruals against debt repayments over the medium term.

Outlook: Stable

Acuite believes that VPBSPL will maintain a 'Stable' outlook over the medium term on the back of its experienced management and established track record of operations. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in its revenue and profitability, while improving its liquidity position. Conversely, the outlook may be revised to 'Negative' in case the company registers lower than- expected growth in revenues and profitability or in case of deterioration in the company's financial risk profile or significant elongation in working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	20.24	19.49	19.52
EBITDA	Rs. Cr.	1.10	1.24	1.31
PAT	Rs. Cr.	(0.11)	(0.65)	0.02
EBITDA Margin	(%)	5.42	6.34	6.72
PAT Margin	(%)	(0.57)	(3.32)	0.13
ROCE	(%)	6.08	7.61	9.29
Total Debt/Tangible Net Worth	Times	0.89	0.98	0.94
PBDIT/Interest	Times	1.44	1.66	1.80
Total Debt/PBDIT	Times	4.17	4.20	4.22
Gross Current Assets (Days)	Days	132	126	117

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

Not Applicable

Any other information

Not Applicable

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>
- Entities In Manufacturing Sector - <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 (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
26-July-2018	Cash Credit	Long Term	2.00	ACUITE B Issuer not co-operating*
	Term Loan	Long Term	3.68	ACUITE B Issuer not co-operating*
	Proposed Bank Facility	Long Term	0.32	ACUITE B Issuer not co-operating*
13-May-2017	Cash Credit	Long Term	2.00	ACUITE B/Stable (Assigned))
	Term Loan	Long Term	3.68	ACUITE B/Stable (Assigned)
	Proposed Bank Facility	Long Term	0.32	ACUITE B/Stable (Assigned)

***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	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE B/Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	1.53	ACUITE B/Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.26	ACUITE B/Stable (Assigned)
Proposed bank facility	Not Applicable	Not Applicable	Not Applicable	2.21	ACUITE B/Stable (Reaffirmed)

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About Acuité Ratings & Research:

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