

Press Release

ASWINS HOME SPECIAL

December 08, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 18.65 Cr.
Long Term Rating	SMERA BB / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB**' (read as **SMERA BB**) on the Rs. 18.65 crore bank facilities of ASWINS HOME SPECIAL. The outlook is '**Stable**'.

Aswins Home Special (AHS) a partnership firm, was established in 2014 by Mr. K R V Ganesan and family. The firm manufactures packaged snacks and sweets under the brand name of 'Aswins Home Special'. The firm has 15 outlets and five vegetarian restaurants in Tamil Nadu.

Key Rating Drivers

Strengths

- **Experienced promoter**

The firm was established by Mr. K R V Ganesan and family in 2014 to manufacture packaged snacks and sweets under the brand name of 'Aswins Home Special'. The promoter possesses around three decades of experience in the industry.

- **Moderate financial risk profile**

The financial risk profile is moderate marked by adjusted networth of Rs.13.78 crore (Provisional) as on 31 March, 2017 as against Rs.7.72 crore as on 31 March, 2016. The networth includes unsecured loan from promoters of Rs. 8.24 crore as the same is subordinated to bank debt. Hence, SMERA has treated this as quasi equity. The gearing levels stood at 0.91 times as on 31 March, 2017 as against 1.91 times in the previous year. However, SMERA believes that going ahead the gearing will improve on account of debt repayment. The total debt of Rs. 12.57 crore includes term loan of Rs. 9.59 crore and working capital funds of Rs.2.98 crore. The Interest coverage ratio (ICR) stood at 2.51 times (Provisional) for FY2017 and 2.15 times for FY2016. The Debt service coverage ratio (DSCR) stood at 1.60 times (Provisional) for FY2017 and 2.15 times for FY2016. The Net cash accruals to total debt (NCA/TD) stood at 0.19 times (Provisional) in FY2017 as against 0.12 times in FY2016.

- **Growth in operating income**

The firm has reported increase in revenue of around 19 percent in FY2017 (Provisional). The operating income stood at Rs.50.86 crore for FY2017 (Provisional) as against Rs. 42.92 crore for FY2016 and Rs.33.60 crore for FY2015. The increase in revenue is mainly on account of increasing demand for Aswins Home Special brand of products. Further, the firm reported operating income of Rs. 35.25 crore from April, 2017 - October, 2017 (Provisional).

Weaknesses

- **Thin profitability margins**

The net profit margins are thin at 1.19 per cent for FY2017 (Provisional) as against 1.70 per cent in the previous year mainly on account of high interest cost on bank borrowings and increase in employee cost.

- **Geographical concentration risk**

AHS derives around 95 per cent revenue from Tamil Nadu alone and the balance 5 per cent from deemed

exports to US. As part of its expansion plans, the firm has begun selling products in Kerala. The biggest challenge is scaling up operations to a national level while maintaining quality.

• **Susceptibility of profitability to volatility in the prices of agro commodities**

The major raw materials - pulses, gram, flour, spices and edible oils are agri products and are exposed to fluctuations in prices.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of Aswins Home Special to arrive at the rating.

Outlook: Stable

SMERA believes that AHS' outlook will remain stable owing to its experienced promoters. The outlook may be revised to 'Positive' if the firm is able to scale up operations with improvement in profitability margins. Conversely, the outlook may be revised to 'Negative' in case of additional working capital borrowings leading to deterioration in the overall gearing or further weakening of profitability margins.

About the Rated Entity - Key Financials

In FY2016-17 (Provisional) the firm reported net profit of Rs.0.61 crore on operating income of Rs.50.86 crore as against net profit of Rs.0.73 crore on operating income of Rs.42.92 crore in the previous year. The tangible net worth stood at Rs.13.78 crore as on 31 March, 2017 as against Rs.7.72 crore in the previous year.

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

None

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

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	Not Applicable	Not Applicable	Not Applicable	6.00	SMERA BB / Stable
Term loans	Not Applicable	Not Applicable	31-Mar-2022	4.78	SMERA BB / Stable
Term loans	Not Applicable	Not Applicable	31-Jan-2021	1.70	SMERA BB / Stable
Term loans	Not Applicable	Not Applicable	30-Sep-2020	0.78	SMERA BB / Stable
Term loans	Not Applicable	Not	31-Mar-2022	0.53	SMERA BB / Stable

		Applicable			
Term loans	Not Applicable	Not Applicable	30-Sep-2024	3.25	SMERA BB / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	1.61	SMERA BB / Stable

Contacts

Analytical	Rating Desk
Vinayak Nayak Head – Ratings Operations Tel: 022-67141190 vinayak.nayak@smera.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@smera.in
Aishwarya Phalke Analyst - Rating Operations Tel: 022-67141156 aishwarya.phalke@smera.in	

ABOUT SMERA

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