



Press Release

Valbe Foods (India) Private Limited

July 05, 2018

Rating Assigned

Total Bank Facilities Rated*	Rs. 12.00 Cr
Short Term Rating	ACUITE A4+ (Assigned)

* Refer Annexure for details

Rating Rationale

Acuite has assigned short-term rating of **ACUITE A4+ (read as ACUITE A four Plus)** on the Rs.12.00 crore bank facilities of Valbe Foods (India) Private Limited (Valbe).

Valbe Foods (India) Private Limited, incorporated in November 2008, was promoted by Mr. Balakrishna Tati. The company is a 100 percent Export Oriented (EOU) food processing unit for gherkins. It is located at Ranga Reddy District (Telangana) with an installed capacity of 9000 tons per annum. The company processes and exports semi-processed gherkins in barrels to international processed food firms and super markets, particularly to Russia. The company supplies in bulk form packed in 260 Liters food grade H.D.P.E. (High Density Polyethylene) drums.

Key Rating Drivers

Strengths

- Long presence of the promoters and proven track record of Valbe in food processing industry**

Mr. Balakrishna Tati, Mrs. Padma Tati, Mr. Venkateshwarlu Tati, Shri. Indrakanta Handique, Mr. Suresh Seethalam and Mr. Venkateswara Rao Lanka are the promoters with experience in the food-processing industry of over two decades. The long presence and proven track record of Valbe in the industry have facilitated in establishing strong association with its key customers which ensures repeat orders. About 75 percent of its revenues comes from Russia, rest from Spain, Hungary, Canada among others with no client concentration for over 15 percent of the total revenues. All the factors resulted in improving the revenues at a compound annual growth rate (CAGR) of about 27 percent over three years through FY2018 with revenues of Rs.35.92 crore in FY2018 (Provisional). Valbe has an unexecuted order book of Rs.57.00 crore as on March 31, 2018 which is to be executed over the next 12 months which provides adequate revenue visibility over the medium term. Acuite believes that proven operational track record and longstanding presence of the promoters is expected to support in improving its business risk profile over the medium term.

Weaknesses

- Weak financial risk profile**

Valbe's financial risk profile is marked by modest net worth, high total outside liabilities to total networth (TOL/TNW) though underpinned by moderate debt protection metrics and gearing (debt-to-equity). Its net worth is modest at about Rs.5.24 crore (Provisional) as of March 31, 2018; low on account of modest accretion to reserves and modest revenue profile in the past till FY2017. TOL/TNW is high at 3.91 times (Provisional) as of March 31, 2018; due to high working capital intensive operations and major reliance on trade suppliers besides bank debt. The gearing is high at 2.16 times as of March 31, 2018 (Provisional). The debt protection metrics of interest coverage ratio (ICR) and net cash accruals to total debt (NCA/TD) are moderate at 3.37 times and 0.12 times respectively for FY2018 (Provisional). Acuite believes that the financial risk profile is expected to improve marginally on the back of improving revenues, however partially offset by marginal capex proposed over the medium term.

• Working capital intensive operations

Valbe's operations are working capital intensive, as marked by high gross current assets (GCA) of 218 in FY2018 (Provisional) and also in FY2017; they are expected to be at similar levels due to staggered deliverables to its clientele. The inventory days over the past three years have been at about 80 days due to peak harvesting season. However, the modest scale of revenues with volatile profitability margins results in stretch in its working capital operations. As a result, the company's bank lines are highly utilised at about 98 percent over six months through March 31, 2018. However, its loan repayment obligations are miniscule at about Rs.0.10 crore against cash accruals of about Rs.1.5-2.5 crore over the medium term. Acuite believes that any significant increase in the working capital will have a bearing on the liquidity profile of the company. The availability of gherkin is exposed to agro-climatic conditions and is therefore likely to impact Valbe's revenue prospects. Besides, the seasonal availability of raw material results in working-capital intensive nature of operations during the peak season.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of Valbe's to arrive at this rating.

About the Rated Entity - Key Financials

	Unit	FY18(Prov.)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	35.92	28.73	22.18
EBITDA	Rs. Cr.	2.59	1.37	1.30
PAT	Rs. Cr.	1.05	0.29	0.17
EBITDA Margin	(%)	7.20	4.78	5.84
PAT Margin	(%)	2.93	1.00	0.79
ROCE	(%)	7.20	4.78	5.84
Total Debt/Tangible Net Worth	Times	2.16	2.26	2.48
PBDIT/Interest	Times	3.37	2.12	2.18
Total Debt/PBDIT	Times	4.20	6.35	5.22
Gross Current Assets (Days)	Days	218	218	264

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)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/ Outlook
Packing Credit/ PCFC	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A4+ (Assigned)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A4+ (Assigned)

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About Acuité Ratings & Research:

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