

Press Release

Bharkadevi Icecream

July 05, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B+** (read as **ACUITE B plus**) on the Rs.10.00 crore bank facilities of Bharkadevi Icecream. The outlook is '**Stable**'.

The Surat based, Bharkadevi Icecream was established in 1996 as a proprietorship firm. The firm is engaged in manufacture of ice creams sold under the brand name of 'Bharkadevi'. The firm has more than 700 franchises across Maharashtra, Gujarat, Madhya Pradesh among others.

Key Rating Drivers

Strengths

- **Established presence in ice cream business**

The Proprietor, Mr. Bherugiri Gowswami has more than three decades of experience in the ice cream business.

- **Average financial risk profile and operating margins**

The firm has moderate financial risk profile marked by net worth of Rs.1.30 crore as on 31 March, 2017 as against Rs.1.04 crore as on 31 March, 2016. The debt to equity ratio stood at 1.84 times as on 31 March, 2017 as compared to 1.17 times as on 31 March, 2016. The total debt of Rs.2.40 crore comprises only of long term debt. The interest coverage ratio of the firm stood at 3.03 times for FY2017 as compared to 4.40 times in FY2016. Further, Acuité is of the view that the debt to equity ratio will deteriorate due to debt funded capex for expansion undertaken by the company in FY2017-18.

Weaknesses

- **Susceptibility to volatility in raw material prices**

Raw material cost forms a key part of overall cost for ice cream business. Prices of key inputs such as milk, skimmed milk and milk powder have fluctuated in the past, owing to supply constraints. Thus, the inability to transfer price burden due to competition can result in decline of margins.

- **Intense competition in ice cream industry and geographic concentration in revenues**

The industry is marked by several players in both organised and unorganised sector, with pan-India brands such as AMUL, Kwality Walls, Dinshaw's, Arun, Havmor. There are other regional brands also leading to intense competition.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of Bharkadevi Icecream to arrive at the rating.

Outlook: Stable

Acuité believes that Bharkadevi Icecream will maintain its 'Stable' business risk profile on account of the management's extensive experience in the ice cream business and its established market presence. The outlook may be revised to 'Positive' in case of sustained increase in revenues and accruals while maintaining its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenues and accruals or in case of elongation of working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	5.71	4.08	4.02
EBITDA	Rs. Cr.	0.87	0.86	0.60
PAT	Rs. Cr.	0.20	0.27	0.24
EBITDA Margin	(%)	15.19	21.18	14.93
PAT Margin	(%)	3.51	6.58	6.07
ROCE	(%)	16.34	23.02	33.24
Total Debt/Tangible Net Worth	Times	1.84	1.17	1.34
PBDIT/Interest	Times	3.03	4.40	11.41
Total Debt/PBDIT	Times	2.77	1.40	1.70
Gross Current Assets (Days)	Days	92	32	19

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE B+ / Stable (Assigned)
Term loans	Not Applicable	Not Applicable	Not Applicable	8.07	ACUITE B+ / Stable (Assigned)
Proposed	Not Applicable	Not Applicable	Not Applicable	1.43	ACUITE B+ / Stable (Assigned)

Contacts

Analytical	Rating Desk
Suman Chowdhury President - Rating Operations Tel: 022-67141107 suman.chowdhury@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in
Bhanupriya Khandelwal Analyst - Rating Operations Tel: 02267141131 bhanupriya.khandelwal@acuiteratings.in	

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.