Press Release

Preme Nutrition

August 29, 2018

Rating Assigned

Total Bank Facilities Rated*	Rs. 5.30 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. 5.30 crore bank facilities of PREME NUTRITION. The outlook is **'Stable'**.

Established in 2002, Preme Nutrition is a partnership firm engaged in manufacturing of flavored toffees, lollipops, candies, wafer biscuits and inrobbers. The firm is led by its partners, Mr. Shyam Gyanchandani and Mr. Deepak Kukreja. The manufacturing unit is in Ambernath and its capacity is 19 to 20 tonnes per day. The firm exports majorly to African countries and local markets of Gujarat, Rajasthan, UP, Bihar, Chennai. The products are sold under the brand name Gmoms.

Key Rating Drivers

Strengths

- **Moderate scale of operations**

  The company has reported moderate revenue growth with compounded annual growth rate (CAGR) of around 113 percent through the last four years ended 31 March, 2018 (Provisional). The company reported significant revenue growth of 118 percent with operating income of Rs.16.94 crore in FY2018 (Provisional) as against operating income of Rs.7.78 crore in FY2017. The operating margins of the company remained moderate at around 8.85 percent in FY2018 (Provisional).

- **Experienced management**

  PN was established in 2002 and is led by its partners, Mr. Shyam Gyanchandani and Mr. Deepak Kukreja who possess experience of more than two decade in FMCG industry. Acuité believes that PN will continue to benefit from its experienced management and established relationships with customers.

Weaknesses

- **Intensive working capital operations**

  The working capital management is marked by Gross Current Assets (GCA) of 262 days in FY2018 (Provisional) as against 407 days in FY2017. The company maintains inventory of around 100 days on an average and extends clean credit of around 90 days to its customers, resulting in high GCA days. The inventory and debtors levels stood at 100 and 112 days in FY2018 (Provisional) as against 125 and 202 days in FY2017, respectively. As a result, the average utilisation of bank limits stood high at ~90 per cent in the last six months. Acuité believes that the working capital requirements will continue to remain high over the medium term on account of its high inventory requirements and time required for exports.

- **Weak financial risk profile**

  The financial risk profile is weak marked by low net worth, debt protection measures and gearing. The net worth of the company is low at around Rs.6.42 crore as on 31 March, 2018 (Provisional) as against Rs.5.70 crore as on 31 March, 2017. The gearing of the company has stood at 0.53 times as on March 31, 2018 (Provisional) as against 0.36 times as on 31 March, 2017. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.29 times as on 31 March, 2018 (Provisional) as against 0.89 times as on 31 March, 2017. The moderate revenue levels coupled with moderate operating margins have resulted in moderate debt protection measures. The Interest Coverage Ratio (ICR) remained moderate at 1.64 times in FY2018 (Provisional) and 1.77 times in FY2017. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.18 times as on 31 March, 2018 (Provisional) as against 0.25 times as on 31 March, 2017. Debt Service Coverage Ratio (DSCR) stood at 1.15 times for FY2018 (Provisional) as against 1.77 times in FY2017. Acuité believes that the financial risk profile of PN will improve moderately over the medium term on account of its improving scale of operations and net cash accruals.

Analytical Approach
Acuité has considered the standalone business and financial risk profiles of Preme Nutrition to arrive at the rating.

Outlook: Stable
Acuité believes that PN will continue to benefit over the medium term from the industry experience of its promoters. The outlook may be revised to 'Positive' if there is substantial and sustained improvement in PN's operating income or profitability, while maintaining its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of weakening its capital structure and debt protection metrics.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	16.94	7.78	10.40
EBITDA	Rs. Cr.	1.50	1.15	0.51
PAT	Rs. Cr.	0.31	0.30	0.19
EBITDA Margin	(%)	8.85	14.81	4.86
PAT Margin	(%)	1.82	3.90	1.87
ROCE	(%)	14.39	16.61	12.33
Total Debt/Tangible Net Worth	Times	0.53	0.36	0.00
PBDIT/Interest	Times	1.64	1.77	3.11
Total Debt/PBDIT	Times	2.17	1.71	0.00
Gross Current Assets (Days)	Days	262	407	251

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
- Manufacturing Entities - https://www.acuite.in/view-rating-criteria-4.htm
- Financial Ratios And Adjustments -https://www.acuite.in/view-rating-criteria-20.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. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE B+ / Stable (Assigned)
Term loans	Not Applicable	Not Applicable	Not Applicable	0.24	ACUITE B+ / Stable (Assigned)
Term loans	Not Applicable	Not Applicable	Not Applicable	2.06	ACUITE B+ / Stable (Assigned)

Contacts

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About Acuité Ratings & Research:
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