

Press Release

Hem Food Private Limited

September 11, 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 minus**) on the Rs. 10.00 crore bank facilities of Hem Food Private Limited. The outlook is '**Stable**'.

Hem Food Private Limited was incorporated in 2011 by Mr. Dhruv Vira, Mr. Hemant Vira and Mr. Kunal Vira. The company is engaged in manufacturing of namkeen like sev, papdi etc. Their manufacturing unit is near Viral, Mumbai with a capacity of around 80,000 units per annum.

Key Rating Drivers

Strengths

- Experienced management**

The director of the company Mr. Hemant Vira has more than a decade of experience in the namkeen industry with his prior association with Tasty Top One. Acuité believes the experience of the management will aid to drive the growth in the company's operations.

Weaknesses

- Weak financial risk profile**

The weak financial risk profile is marked by negative networth of Rs.-0.51 crore in FY2018 (Provisional) as compared to Rs.-0.51 crore in FY2017. The gearing stood at -9.38 times in FY2018 (Provisional) as against -9.65 times in FY2017. The total debt of Rs.4.76 crore in FY2018 (Provisional) consists of term loans of Rs.0.04 crore, unsecured loans of Rs.3.78 crore and short term facility of Rs.0.93 crore. The interest coverage ratio stood at 1.34 times in FY2018 (Provisional) as against 1.88 times in FY2017. The Net Cash Accruals by Total Debt (NCA/TD) stood at 0.02 times in FY2018 (Provisional) as against 0.04 times in FY2017.

- Highly competitive and fragmented nature of industry**

HFPL operates in a highly fragmented industry with large number of organized and unorganized players present in the market.

Analytical Approach

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

Outlook: Stable

Acuité believes that the outlook on Hem Food Private Limited will remain 'Stable' over the medium term backed by the experience of the management. The outlook maybe revised to 'Positive' in case of improvement in the financial risk profile. Conversely the outlook maybe revised to 'Negative' in case of deterioration in the financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	4.43	4.25	3.33
EBITDA	Rs. Cr.	0.37	0.37	0.37
PAT	Rs. Cr.	-0.29	-0.23	-0.26
EBITDA Margin	(%)	8.29	8.73	11.11
PAT Margin	(%)	-6.65	-5.31	-7.95
ROCE	(%)	-0.48	-1.00	-9.58
Total Debt/Tangible Net Worth	Times	-9.38	-9.65	-12.12
PBDIT/Interest	Times	1.34	1.88	2.45
Total Debt/PBDIT	Times	12.95	12.19	9.08
Gross Current Assets (Days)	Days	137	135	63

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

Not Available

Any other information

Not Available

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
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE B- / Stable

Contacts

Analytical	Rating Desk
Pooja Ghosh Head - Corporate and Infrastructure Sector Ratings Tel: 033-6620 1203 pooja.ghosh@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in
Shreyans Banthia Analyst - Rating Operations Tel: 033-66201210 shreyans.banthia@acuiteratings.in	

About Acuité Ratings & Research:

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