Press Release

Saa Vishnu Bakers Private Limited

April 01, 2019

Rating Assigned

Total Bank Facilities Rated*	Rs. 41.00 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable

** Refer Annexure for details*

Rating Rationale

Acuité has assigned long-term rating of **'ACUITE BBB-' (read as ACUITE triple B minus)** to the Rs. 41.00 crore bank facilities of Saa Vishnu Bakers Private Limited (SVPL). The outlook is **'Stable'**.

Incorporated in 2009, SVPL is a Kolkata based company promoted by Mr. Anirudh Poddar, Mr. Aditya Dalmia, Mr. Ashok Dalmia and Mr. Adnan Bakhtiyar. The company is engaged in manufacturing of biscuits, snacks and potato chips on job work basis for Parle Products Private Limited, Haldiram's Food International Limited and Haldiram Snacks Private Limited. SVPL operates two manufacturing units located in Ranchi (Jharkhand) and Gaya (Bihar) with an installed capacity of 45600 MTPA of biscuits, 7500 MTPA for namkeen and potato chips. Additionally, the company is in the process of setting up cashew processing unit with an installed capacity of 1200 MTPA at Ranchi which is expected to start in May, 2019. SVPL's operations are licensed by Food Safety and Standard Authority of India (FSSAI).

Analytical Approach

Acuité has considered a standalone approach on SVPL's business and financial risk profile for arriving at the rating.

Key Rating Drivers

Strengths

• **Tie up with reputed players**

SVPL has been associated with Parle Products Private Limited since 2011 resulting in established position as job workers in the FMCG sector. Additionally, the company has diversified its revenue stream by entering into long term contract with Haldiram's Food International Limited and Haldiram Snacks Private Limited to provide job work for manufacturing of potato chips and namkeen in 2016 and 2017 respectively. As a result, the company has registered operating revenue of Rs.55.41 crore as on December, 2019 (provisional) as against Rs.27.92 crore in FY2017-2018.Further, the same will result into lower offtake risk and thereby higher revenue visibility over the medium term. Acuité believes that SVPL will maintain its strong operating performance with healthy growth in revenue profile over the medium term.

• **Comfortable financial risk profile**

SVPL's financial risk profile is comfortable marked by healthy net worth, comfortable gearing and healthy debt protection metrics. Net worth stood at Rs.24.90 crore as on March 31, 2018 as against Rs.9.88 crore as on March 31, 2017. Acuité has considered unsecured loans Rs.13.59 crore as quasi-equity as the management has undertaken to maintain the amount in the business over the medium term. The gearing improved to 1.27 times as on March 31, 2018 as against 1.69 times as on March 31, 2017 on account of capital infusion. Debt protection metrics are healthy marked by interest coverage ratio (ICR) of 4.34 times FY2018 as against 3.60 times FY2017 and debt service coverage ratio (DSCR) of 1.46 times in FY2018 as against 1.50 times in FY2017. NCA/ TD stood at 0.18 times in FY2018 as against 0.32 times in FY2017. The company is expected to maintain comfortable financial risk profile over the medium term in absence of any significant debt funded capex plan.

• **Healthy profitability margins**

SVPL has registered healthy profit margins over the past three year under consideration. EBITDA margins stood healthy at 25.80 percent in FY2018 as against 20.65 percent in the previous year. Going forward, the company is expected to maintain its profitability margins on account of long term agreement with regards to conversion charges and ability to pass on any changes in raw material cost, fuel cost and labour charges to its clients. The company's ability to maintain its profitability will remain a key concern monitorable.

Weaknesses

- **Risk related to stabilisation of operations**

SVPL's Haldiram Snacks Private Limited (Haldiram Delhi) unit located at Gaya became operational since June, 2018, whereas Haldiram Food International Limited (Haldiram Nagpur) located at Ranchi began its operations since 11 February, 2019. Given the limited track record of the above mentioned manufacturing units, the company is exposed to stabilisation risk of operations. Additionally, while the minimum procurement clause in agreements ensures profitability, the company is dependent on Haldiram (Nagpur), Haldiram (Delhi) and Parle to drive its revenue profile. Any change in future policies of the company or change in taste and preference for respective companies' product will have direct impact on business risk profile of SVPL.

Liquidity Profile

SVBPL has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.4.70-5.04 crore during the last three years through 2017-18, while its maturing debt obligations were in the range of Rs.2.94 crore over the same period. The cash accruals of the company are estimated to remain comfortable to meets its repayment obligations during 2019-21.The cash credit limit in the company remains utilised at around 75 percent during the last 6 months period ended December 2018. The company maintains unencumbered cash and bank balances of Rs.0.23 crore as on March 31, 2018. The current ratio of the company stands modest at 1.38 times as on March 31, 2018. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy cash accrual sufficient to meet its repayments over the medium term.

Outlook: Stable

Acuité believes that SVPL will maintain 'Stable' outlook over the medium term from promoters' long standing experience in catering to reputed players and long term agreements with customers. The outlook may be revised to 'Positive' if the company achieves more than envisaged sales and profitability while efficiently managing its working capital cycle. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve growth in revenue and profitability or the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded working capital requirement.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	27.92	35.86	32.13
EBITDA	Rs. Cr.	7.20	7.40	6.87
PAT	Rs. Cr.	1.43	1.46	1.02
EBITDA Margin	(%)	25.80	20.65	21.38
PAT Margin	(%)	5.13	4.06	3.19
ROCE	(%)	8.81	14.31	26.15
Total Debt/Tangible Net Worth	Times	1.27	1.69	1.95
PBDIT/Interest	Times	4.34	3.60	3.30
Total Debt/PBDIT	Times	4.38	2.23	2.38
Gross Current Assets (Days)	Days	160	55	70

Any other information

Not Applicable

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
Term Loans	Not Applicable	Not Applicable	Not Applicable	22.00	ACUITE BBB- / Stable
Term Loans	Not Applicable	Not Applicable	Not Applicable	7.25	ACUITE BBB- / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE BBB- / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.75	ACUITE BBB- / Stable

Contacts

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About Acuité Ratings & Research:
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