

Press Release

SAA Vishnu Bakers Private Limited

August 25, 2020



Rating Reaffirmed & Assigned

Total Bank Facilities Rated*	Rs. 76.27 Cr. (Enhanced from Rs. 41.00 Cr)
Long Term Rating	ACUITE BBB-/Stable (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) on the Rs.76.27 crore bank facilities of SAA Vishnu Bakers Private Limited (SVBPL). The outlook is '**Stable**'.

Incorporated in 2009, SAA Vishnu Bakers Private Limited (SVBPL) is promoted by Mr. Anirudh Poddar, Mr. Aditya Dalmia, Mr. Ashok Dalmia and Mr. Adnan Bakhtiyar. The company is primarily engaged in job work based manufacturing of biscuits for Parle Products Private Limited, snack items for Haldiram's Food International Limited and potato chips and namkeens for Haldiram Snacks Private Limited. SVBPL has two manufacturing facilities; one is located in Ranchi (Jharkhand) with an installed capacity of 45600 MTPA for biscuits, 600 MTPA for cashews and 2400 MTPA for snacks and the other facility is located in Gaya (Bihar) with an installed capacity of 6900 MTPA for potato chips. In addition to this, the company had recently set up a raw cashew processing unit with an installed capacity of 1200 MTPA at Ranchi. The operations of the company are licensed by the Food Safety and Standard Authority of India (FSSAI).

Analytical Approach

Acuité has taken the standalone view of the business and financial risk profile of SVBPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Association with reputed clientele**

The company has agreements with both Parle and Haldiram, which ranges from 3-7 years along with a price protection clause. The company has a strong association with Parle Products Private Limited since 2011 for job work based manufacturing of biscuits. Further, SVBPL entered into long term agreement with Haldiram Snacks Private Limited from 2018 for job work based manufacturing of chips and snacks and with Haldiram's Food International Limited from 2019 for job work based manufacturing of snacks. Acuité believes that these agreements with reputed clientele will result in lower off-take risk and thereby higher revenue visibility over the medium term.

- **Significant revenue growth**

SVBPL has achieved revenues of Rs.128.74 Cr till March 2020 (Provisional) as compared to Rs.80.27 Cr in FY2019 as and Rs.27.92 Cr in FY2018, thereby registering a healthy growth. The growth in the top line was on account of the commencement of the Gaya plant to manufacture chips and of the snacks manufacturing division in the Ranchi plant. Going forward, the top-line is expected to increase further on account of increase in capacity in the Gaya plant and sales of cashews to Haldiram. Acuité believes that SVBPL will maintain its strong operating performance with healthy growth in revenues over the medium term.

- **Comfortable financial risk profile**

The company's financial risk profile is marked by moderate networth, modest gearing and strong debt protection metrics. The tangible net worth of the company improved to Rs.32.1 Cr as on March 31, 2020

(provisional) from Rs.27.81 Cr as on March 31, 2019 due to accretion of profits. Acuité has considered unsecured loans of Rs.16.97 Cr as on March 31, 2020 (provisional), as quasi-equity as the management has undertaken to maintain the amount in the business over the medium term. The company has moderate gearing at 1.44 times as on March 31, 2020 (provisional) as against 1.47 times as on March 31, 2019. The debt of Rs.40.74 Cr mainly consists of long term debt of Rs.30.49 Cr and working capital borrowing of Rs.8.00 Cr and current maturity of a term loan of Rs.2.25 Cr as on March 31, 2019. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood moderate at 1.84 times as on March 31, 2020 as against 1.95 times as on March 31, 2019. The strong debt protection metrics of the company is marked by Interest Coverage Ratio at 4.93 times in FY2020 (provisional) compared to 9.09 times in FY2019 and the NCA/TD of 0.26 times as on March 31, 2020 (provisional) compared to 0.20 times as on March 31, 2019. The company had set up a raw cashew processing unit in FY2020, with a total project cost of Rs.3.6 Cr, which is funded by term loan from bank of Rs.1.25 Cr and promoter's contribution of Rs.2.35 Cr. Further, the company is also executing a capacity expansion in the Gaya plant, the total project cost is Rs.40.21 Cr, which is funded by term loan from bank of Rs.28.00 Cr and promoter's contribution of Rs.12.21 Cr. Capital expenditure amounting to Rs. 10 Cr was executed in FY2020 and the remaining portion is in process in FY2021. Acuité believes that going forward the financial risk profile of the company will remain comfortable though there is some moderation expected due to the capex.

Weakness

- **Customer concentration risk**

SVBPL is exposed to customer concentration risk as the company is dependent on Parle Products Private Limited, Haldiram Snacks Private Limited and Haldiram's Food International Limited to drive its revenue profile. Acuité believes that any customer concentration risk exposes the entity to risks related to changes in the requirements and policies of the customers. However, this is mitigated from the agreements entered into with their customers, which provides adequate revenue visibility over the medium term.

- **Declined profitability margin**

SVBPL has a declining trend in its profit margins over the past three years under consideration. EBITDA margins stood at 12.15 per cent in FY2020 (Provisional) as against 15.26 per cent in FY2019 and 25.80 per cent in FY2018. The operating margin of the company decreased on account of purchasing of raw materials in the Gaya plant. The company's ability to maintain its profitability will remain a key concern monitorable.

Rating Sensitivity

- Improvement in the scale of operation while maintaining profitability margin
- Tie up with reputed clientele
- Delay in project execution

Material Covenant

None

Liquidity Profile: Adequate

The company's liquidity is adequate, marked by net cash accruals which stood at Rs.8.08 Cr as on March 31, 2019 as against long term debt repayment of Rs.2.25 Cr over the same period. The net cash accruals have increased further to Rs.12.01 Cr on March 31, 2020 (provisional) as against long term debt repayment of Rs.5.60 Cr in March 31, 2020 (provisional). The current ratio stood at 1.12 times as on March 31, 2020 (provisional) as compared to 1.38 times as on March 31, 2019. The fund based limit remains utilized at 70 per cent over the six months ended March, 2020. The company has availed loan moratorium on a term loan and additional COVID loans of Rs.0.40 Cr. The cash and bank balances of the company stood at Rs.0.54 Cr as on March 31, 2020 (provisional) as compared to Rs.0.32 Cr as on March 31, 2019. The moderate level of working capital management of the company is marked by moderate Gross Current Assets (GCA) of 85 days as on March 31, 2020 (provisional) as against 119 days in March 31, 2019. The company had set up a raw cashew processing unit in FY2020, with a total

project cost of Rs.3.6 Cr, which is funded by term loan from bank of Rs.1.25 Cr and promoter's contribution of Rs.2.35 Cr. Further, the company is also executing a capacity expansion in the Gaya plant, the total project cost is Rs.40.21 Cr, which is funded by term loan from bank of Rs.28.00 Cr and promoter's contribution of Rs.12.21 Cr. Capital expenditure amounting to Rs. 10 Cr was executed in FY2020 and the remaining portion is in process in FY2021. Acuité believes that going forward, the company will maintain adequate liquidity position due to steady accruals.

Outlook: Stable

Acuité believes the outlook on SAA Vishnu Bakers Private Limited will remain stable over the medium term backed by long term agreements with reputed customers and comfortable financial risk profile. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of a decline in the company's revenues or profit margins, or in case of deterioration in the company's financial risk profile and liquidity position or further deterioration in its working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	80.27	27.92
PAT	Rs. Cr.	1.00	1.43
PAT Margin	(%)	1.24	5.13
Total Debt/Tangible Net Worth	Times	1.47	1.27
PBDIT/Interest	Times	9.09	4.34

Status of non-cooperation with previous CRA

India Ratings & Research, vide its press release dated April 02, 2019 had denoted the rating of SAA Vishnu Bakers Private Limited as 'BB+'; ISSUER NOT COOPERATING'

Any other information

Not Applicable

Applicable Criteria

- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing entities- <https://www.acuite.in/view-rating-criteria-59.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
22-Jun-2020	Cash Credit	Long Term	4.00	ACUITE BBB-/Stable (Reaffirmed)
	Cash Credit	Long Term	7.75	ACUITE BBB-/Stable (Reaffirmed)
	Term Loan	Long Term	22.00	ACUITE BBB-/Stable (Reaffirmed)
	Term Loan	Long Term	7.25	ACUITE BBB-/Stable (Reaffirmed)
01-Apr-2019	Cash Credit	Long Term	4.00	ACUITE BBB-/Stable (Assigned)
	Cash Credit	Long Term	7.75	ACUITE BBB-/Stable (Assigned)
	Term Loan	Long Term	22.00	ACUITE BBB-/Stable

				(Assigned)
	Term Loan	Long Term	7.25	ACUITE BBB-/Stable (Assigned)

*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	31-Jan-2019	Not Applicable	Not Applicable	4.00	ACUITE BBB-/Stable (Reaffirmed)
Cash Credit	16-Mar-2019	Not Applicable	Not Applicable	7.75	ACUITE BBB-/Stable (Reaffirmed)
Overdraft	12-Mar-2020	Not Applicable	Not Applicable	1.00	ACUITE BBB-/Stable (Assigned)
Term Loan	31-Jan-2019	Not Applicable	31-Mar-2024	21.12 (reduced from Rs.22.00 Cr)	ACUITE BBB-/Stable (Reaffirmed)
Term Loan I	16-Mar-2019	Not Applicable	31-Mar-2024	5.4 (reduced from Rs.7.25 Cr)	ACUITE BBB-/Stable (Reaffirmed)
Term Loan II	16-Mar-2019	Not Applicable	31-Mar-2024	1.00	ACUITE BBB-/Stable (Assigned)
Term Loan III	16-Mar-2019	Not Applicable	31-Mar-2024	8.00	ACUITE BBB-/Stable (Assigned)
Term Loan	12-Mar-2020	Not Applicable	31-Mar-2028	28.00	ACUITE BBB-/Stable (Assigned)

Contacts

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About Acuité Ratings & Research

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