

Press Release

SAA Vishnu Bakers Private Limited

November 11, 2021



Rating Upgraded, Assigned

Total Bank Facilities Rated	Rs 87.34 crore
Long Term Rating	ACUITE BBB/ Stable (Upgraded)

* Refer Annexure for details

Rating Rationale

Acuité has upgraded the long term rating to "**ACUITE BBB' (read as ACUITE Triple B)** from "**ACUITE BBB-' (read as ACUITE Triple B minus)** to the Rs.87.34 Cr bank facilities of SAA Vishnu Bakers Private Limited (SVPL). The outlook remains '**Stable**'.

The rating upgrade of SVBPL takes into account the sound business risk profile of the company as reflected from its improving revenue backed by growing order flow and long-term association and established relationship with Parle Products Pvt Ltd (Parle) and Haldiram Group. Further, it is also supported by the management's long track record in the food processing industry, healthy financial position characterized by strong debt coverage indicators, and the capacity expansion that will lead to a significant scale up of the business. The rating also draws comfort from the prudent working capital management of the company. These strengths are however, partly offset by the susceptibility to fluctuations in raw material prices, subdued return on capital employed due to the continuous capex and customer concentration risk.

About the company

Incorporated in 2009, SAA Vishnu Bakers Private Limited (SVBPL) is promoted by Mr. Anirudh Poddar and Mr. Aditya Dalmia. The company is primarily engaged in job work based manufacturing of biscuits for Parle Products Private Limited, snacks items for Haldiram's Food International Limited and potato chips 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 15000 MTPA for Haldiram Snacks Pvt. Ltd. In addition to this, the company had recently modernized its plant to increase the production capacity by additional 18,000 MTPA at Ranchi. The operations of the company are licensed by Food Safety and Standard Authority of India (FSSAI). Agreement.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of SVBPL to arrive at the rating.

Key Rating Drivers

Strengths

- Steady revenue growth supported by increasing orders from reputed clientele**

SVBPL has achieved revenues of Rs.145.67 Cr in 2021 (provisional) as compared to revenues of Rs.128.35 Cr in FY2020. The turnover of the company has been growing at a CAGR of more than 73.44 per cent from FY18 to FY21. The company has achieved revenues of around Rs.86.52 Cr till August 2021 (Provisional). The growth in top line was on account of inclusion and further expansion of the Gaya unit and increase in demand for Parle G biscuits during the lockdown along surge in demand for snacks. 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, which has around 40 per cent dominant share of the Indian biscuit market. 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, which has close to 60 per cent market share of the traditional snacks market.

Acuité believes that these agreements with reputed clientele will result in lower off-take risk and thereby higher revenue visibility over the medium term. Also, while the offtake risk is relatively lower due to presence of long-

term contracts and long-term relationships with clients as well as the improved scenario due to supply-side reforms in the biscuit industry, overall ramping up of capacities as envisaged, will remain a key monitoring factor. With steady recovery in demand and commercialization of the capex activities, the company is expected to report steady revenue growth in FY 2022 as well.

- **Capacity expansion coupled with favorable demand scenario**

In order to meet the growing demand of biscuits and snacks in the domestic market the company has successfully completed & stabilized the additional capex in the Gaya unit. The initial Capex of 3000 MTPA was completed and started its operations in September 2020 & further the second capex of 5100 MTPA was completed and became operational since July 2021. The enhanced capacities has also been highly utilized given the fact that the enhancement was already backed by a minimum off take agreement by Haldirams Snacks Pvt Ltd, New Delhi. The production & sales at the Gaya unit has been increasing consistently year on year given very high demand from Haldirams New Delhi. In the current year also, the production has gradually ramped up given the new addition in the facility during July 2021.

Acuité expects the company to maintain strong business risk profile backed by healthy operating profitability and driven by benefits of investments undertaken in the last three years accruing from FY 2022 onwards, scale of capacities and better integration of operations, enabling it to generate healthy cash flow through business cycles over the medium term.

- **Above average financial risk profile**

The company's financial risk profile is marked by modest networth, moderate gearing and strong debt protection metrics. The tangible net worth of the company improved to Rs.32.76 Cr as on March 31, 2021 (Provisional) from Rs.30.20 Cr as on March 31, 2020 due to accretion of profits. Acuité has considered unsecured loans of Rs.13.79 Cr as on March 31, 2021 (Provisional), as quasi-equity as the management has undertaken to maintain the amount in the business over the medium term. The company has high gearing at 2.46 times as on March 31, 2021 (Provisional) as against 1.63 times as on March 31, 2020 due to high debt funded capex. The total debt of Rs.80.52 Cr mainly consists of long term debt of Rs.61.11Cr and working capital borrowing of Rs.11.21 Cr and current maturity of term loan of Rs.8.20 Cr as on March 31, 2021 (Provisional). The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood high at 2.87 times as on March 31, 2021 (Provisional) as against 2.12 times as on March 31, 2020. The strong debt protection metrics of the company is marked by Interest Coverage Ratio at 6.17 times as on March 31, 2021 (provisional) and Debt Service Coverage Ratio at 2.08 times as on March 31, 2021 (provisional). Net Cash Accruals/Total Debt (NCA/TD) stood low at 0.16 times as on March 31, 2021 (provisional).

Acuité believes that going forward the financial risk profile of the company will improve with no major debt funded capex plans over the medium term.

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.

- **Fluctuating profitability margins**

Despite large investments over the last three years, operating and net profit remained range bound while return metrics such as return on capital employed (RoCE) moderated over the last three years due to steady demand amidst the ongoing Covid-19 pandemic-led economic slowdown and increase in the raw material prices. The PAT margins of the company have improved to 2.49 per cent as on FY2021 (provisional) as against 2.36 per cent as on FY2020. However, the operating margin declined to 9.64 per cent in FY21 (provisional) as compared to 11.72 per cent in the previous year mainly due to surge in price of raw materials. The key raw materials for manufacturing biscuit includes agricultural commodities such as wheat, oil, sugar, and milk, the prices of which depend on both geo-climatic conditions and government policies, the prices of which have been always volatile. The RoCE levels declined to 4.86 per cent in FY2021 (provisional) as against 7.89 per cent

in FY2020. The EBIDTA margins at the Gaya unit is maintained around 8-10 per cent and in Ranchi unit the same hovers between 20-23 per cent.

With focus on ramp up of newly added capacities, leading to increase in scale of operation, Acuité believes that the RoCE should improve from FY 2022 onwards. Any delay in recovery of RoCE will be a key monitorable over the medium term.

Rating Sensitivity

- Sustainability in revenue growth and significant improvement in profitability margin
- Tie up with reputed clientele
- Timely completion of the ongoing capex

Material Covenant

None

Liquidity Profile: Adequate

The company's liquidity is adequate marked by the net cash accruals which stood at Rs.13.02 Cr in March 31, 2021 (provisional) as against long term debt repayment of only Rs.5.60 Cr over the same period. The working capital management of the company is efficient as reflected by Gross Current Assets (GCA) of 78 days as on March 31, 2021 (provisional), as compared to 80 days as on 31st March 2020. The current ratio stood moderate at unity as on March 31, 2021 (provisional) as compared to 0.98 times as on March 31, 2020. The fund based limit remains utilized at 82 per cent over the seven months ended July, 2021. The unencumbered cash and bank balances of the company stood at Rs.0.25 crores as on March 31, 2021. The company has applied for Covid Loan of 6.53 Cr, but not availed any moratorium. Acuité believes that going forward the company will maintain adequate liquidity position due to steady accruals.

Outlook: Stable

Acuité believes that SVBPL 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 (Standalone)

	Unit	FY21 (Provisional)	FY20 (Actual)
Operating Income	Rs. Cr.	145.67	128.35
PAT	Rs. Cr.	3.62	3.03
PAT Margin	(%)	2.49	2.36
Total Debt/Tangible Net Worth	Times	2.46	1.63
PBDIT/Interest	Times	6.17	5.01

Status of non-cooperation with previous CRA

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.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	Ratings/Outlook
			(Rs. Cr)	
25-August-2020	Cash Credit	Long term	4.00	ACUITE BBB-/Stable (Reaffirmed)
	Cash Credit	Long term	7.75	ACUITE BBB-/Stable (Reaffirmed)
	Overdraft	Long term	1.00	ACUITE BBB-/Stable (Assigned)
	Term Loan	Long term	21.12	ACUITE BBB-/Stable (Reaffirmed)
	Term Loan	Long term	5.40	ACUITE BBB-/Stable (Reaffirmed)
	Term Loan	Long term	1.00	ACUITE BBB-/Stable (Assigned)
	Term Loan	Long term	8.00	ACUITE BBB-/Stable (Assigned)
	Term Loan	Long term	28.00	ACUITE BBB-/Stable (Assigned)
22-June-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-April-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

Lender's Name	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
UCO Bank	Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE BBB/ Stable (Upgraded)
Axis Bank	Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.75	ACUITE BBB/ Stable (Upgraded)
UCO Bank	Term Loan	31-07-2018	9.60%	30-06-2027	17.08	ACUITE BBB/ Stable (Upgraded)
Axis Bank	Term Loan	07-02-2018	7.80%	30-06-2025	3.26	ACUITE BBB/ Stable (Upgraded)
Axis Bank	Term Loan	28-03-2019	7.80%	31-03-2025	6.50	ACUITE BBB/ Stable (Upgraded)
Axis Bank	Term Loan	10-09-2020	8.10%	31-03-2028	16.00	ACUITE BBB/ Stable (Upgraded)
HDFC Bank	Term Loan	12-03-2020	7.80%	31-03-2028	28.00	ACUITE BBB/ Stable (Upgraded)

HDFC Bank	Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BBB/ Stable (Assigned)
Axis Bank	ELCGS	Not Applicable	Not Applicable	Not Applicable	1.75	ACUITE BBB/ Stable (Assigned)

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About Acuité Ratings & Research:

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