

Press Release

Saa Vishnu Bakers Private Limited

March 09, 2023

Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	94.04	ACUITE BBB Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	94.04	-	-

Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) on the Rs.94.04 Cr bank facilities of Saa Vishnu Bakers Private Limited (SVBPL). The outlook remains '**Stable**'.

Rating Rationale

The rating factors the steady improvement in the scale of operations of the company backed by increase in the production capacity utilisation and healthy association with reputed clientele. The rating also considers the long standing operations of the company and the efficient working capital management. These strengths are, however, offset by the moderate financial risk profile of SVBPL and the declining profitability margins along with the exposure to customer concentration risk.

About the Company

Incorporated in 2009, SAA Vishnu Bakers Private Limited (SVBPL) is engaged in the manufacturing of snacks items for Haldiram's Food International Limited, potato chips for Haldiram Snacks Private Limited and biscuits for Parle Products Private Limited on job work basis. The company is promoted by Mr. Anirudh Poddar and Mr. Aditya Dalmia. It has two manufacturing units, one is located in Ranchi (Jharkhand) with an installed capacity of 45600 MTPA of biscuits and the other one is located in Gaya (Bihar) with an installed capacity of 18000 MTPA for potato chips. The company's operations are licensed by Food Safety and Standard Authority of India (FSSAI).

Analytical Approach

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

Key Rating Drivers

Strengths

Long track record of operations coupled with long-term association with reputed clientele

SVBPL has a long presence of around two decades in the industry and has established healthy relationships with the reputed clientele, Parle and Haldiram. The agreements with the clientele ranges from 3-7 years along with a price protection clause. The company is associated with Parle Products Private Limited, Haldiram's Food International Limited and

Haldiram Snacks Private Limited for job work based manufacturing of biscuits, chips and snacks. Acuité derives comfort from the lower off-take risk owing to agreements with the reputed clientele and the long running operations of the company.

Consistent increase in the scale of operations

SVBPL achieved revenues of Rs.194.31 Cr in FY2022 as compared to revenues of Rs.145.67 Cr in FY2021 and Rs.128.35 Cr in FY2020, thereby, registering a CAGR of 23.11 per cent over the last two years. Further, the company achieved revenues of around Rs.198.21 Cr till December 2022 (provisional). The rise in turnover levels is on account of increase in the production capacity utilisation primarily at the Gaya unit, followed by the Ranchi unit. Acuité believes that SVBPL will maintain its strong operating performance with healthy growth in revenue profile over the medium term.

Efficient working capital management

The working capital management of the company is efficient marked by low Gross Current Assets (GCA) of 76 days as on March 31, 2022, which was similar on March 31, 2021. The debtor period is comfortable at 6 days as on March 31, 2022 as compared to 5 days as on March 31, 2021. Further, the inventory holding is also comfortable at 58 days as on March 31, 2022 as compared to 55 days as on March 31, 2021. Acuité believes that the working capital operations of the company will remain comfortable as evident from the efficient collection mechanism and low inventory holding over the medium term.

Weaknesses

Moderate financial risk profile

The company's moderate financial risk profile is marked by modest networth, high gearing and moderate debt protection metrics. The tangible net worth of the company reduced to Rs.29.19 Cr as on March 31, 2022 from Rs.32.20 Cr as on March 31, 2021 due to losses incurred in FY2022. Acuité has considered unsecured loans of Rs.13.83 Cr as on March 31, 2022, as a part of networth as the management has undertaken to maintain the amount in the business over the medium term. The company has high gearing at 3.10 times as on March 31, 2022 as against 2.50 times as on March 31, 2021 due to high debt funded capex till last year. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood high at 3.72 times as on March 31, 2022 as against 2.91 times as on March 31, 2021. The Interest Coverage Ratio stood healthy at 4.66 times as on March 31, 2022, however, the Debt Service Coverage Ratio stood moderately weak at 1.35 times as on March 31, 2022. Net Cash Accruals/Total Debt (NCA/TD) stood low at 0.13 times as on March 31, 2022. Acuité believes that going forward the financial risk profile of the company will improve due to the reducing debt obligations and the gradually improving accruals.

Declining profitability margins coupled with customer concentration risk

The operating margin of the company declined to 7.30 per cent in FY2022 as against 9.66 per cent in FY2021 due to rise in the cost of raw materials. Further, SVBPL incurred net losses in FY2022 on account of increase in the depreciation cost due to capacity expansion at the Gaya unit. However, Acuité notes that the company has recovered the losses with a PAT of 0.33 per cent till December, 2022 (provisional). Acuité believes that, going forward, the ability of the company to sustain the profits over the medium term will be key monitorable.

Moreover, 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.

Rating Sensitivities

- Sustained revenue growth along with improvement in the profitability margins
- Improvement in the financial risk profile
- Tie up with reputed clientele

Material covenants

None

Liquidity Position: Adequate

The company's liquidity is adequate marked by the net cash accruals of Rs.12.14 Cr in March 31, 2022 as against long term debt repayment of Rs.8.20 Cr over the same period. The working capital management of the company is efficient as reflected by Gross Current Assets (GCA) of 76 days as on March 31, 2022 which was similar on 31st March 2021. The fund based limit remains moderately utilized at 82 per cent over the six months ended January, 2022. The cash and bank balances of the company stood at Rs.0.04 Cr as on March 31, 2022. However, the current ratio stood weak at 0.89 as on March 31, 2022 as compared to 0.96 times as on March 31, 2021 due to increase in the current liabilities on account of rise in trade payables and current maturities in FY2022. Acuité believes that going forward the company will maintain adequate liquidity position due to gradually improving accruals.

Outlook: Stable

Acuité believes that the outlook will remain 'Stable' over the medium term backed by its experienced management, tie up with reputed clientele and the steadily rising scale of operations. The outlook may be revised to 'Positive' in case the company registers more than envisaged sales and profitability while maintaining its financial risk profile. The outlook may be revised to 'Negative' in case of decline in the company's revenues or profit margins or in case of stretch in the working capital cycle or in case of deterioration in the financial risk profile over the medium term.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	194.31	145.67
PAT	Rs. Cr.	(3.03)	3.06
PAT Margin	(%)	(1.56)	2.10
Total Debt/Tangible Net Worth	Times	3.10	2.50
PBDIT/Interest	Times	4.66	6.18

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

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

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors uncertainty in cash flow patterns number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as Simple' can carry high levels of risk. -or more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
09 Dec 2021	Term Loan	Long Term	28.00	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	4.00	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	3.00	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	6.50	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	17.08	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	3.26	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	7.75	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	16.00	ACUITE BBB Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	3.50	ACUITE BBB Stable (Reaffirmed)
	Working Capital Demand Loan	Long Term	4.95	ACUITE BBB Stable (Assigned)
11 Nov 2021	Term Loan	Long Term	17.08	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Term Loan	Long Term	16.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Cash Credit	Long Term	7.75	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Term Loan	Long Term	3.26	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Cash Credit	Long Term	4.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Term Loan	Long Term	6.50	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Working Capital Demand Loan	Long Term	1.75	ACUITE BBB Stable (Assigned)
	Term Loan	Long Term	28.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Cash Credit	Long Term	3.00	ACUITE BBB Stable (Assigned)
25 Aug 2020	Cash Credit	Long Term	7.75	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)
	Secured Overdraft	Long Term	1.00	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	28.00	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	4.00	ACUITE BBB- Stable (Reaffirmed)
		Long		

	Term Loan	Term	21.12	ACUITE BBB- Stable (Reaffirmed)
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	7.25	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	22.00	ACUITE BBB- Stable (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
UCO Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	4.00	ACUITE BBB Stable Reaffirmed
Axis Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	7.75	ACUITE BBB Stable Reaffirmed
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	3.00	ACUITE BBB Stable Reaffirmed
Axis Bank	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	6.65	ACUITE BBB Stable Reaffirmed
HDFC Bank Ltd	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	3.00	ACUITE BBB Stable Reaffirmed
UCO Bank	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	6.45	ACUITE BBB Stable Reaffirmed
UCO Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	15.71	ACUITE BBB Stable Reaffirmed
Axis Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	20.35	ACUITE BBB Stable Reaffirmed
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	27.13	ACUITE BBB Stable Reaffirmed

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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