

Press Release

Crazy Bakery Udyog (CBU)

July 29, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 7.50 crore
Long Term Rating	ACUITE BBB- / Outlook: Stable (Assigned)

* Refer Annexure for details

Rating Rationale

Acuite has assigned a long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) to the Rs. 7.50 crore bank facilities of CRAZY BAKERY UDYOG. The outlook is '**Stable**'.

Established in 2017 as a partnership firm by Ms. Upma Aggarwal & Mr. Sachin Aggarwal, Crazy Bakery Udyog is a part of Crazy Group comprising of Crazy Snacks Private Limited, Crazy Funfoods Private Limited, Crazy Bakers Private Limited and Crazy Bakery Udyog. The firm is proposed to be engaged in the manufacturing of bakery and snack products like premium rusk, potato chips and namkeen products to support the demand requirements of the associate companies in the group. The commercial operations of the firm are expected to begin by January, 2019 with an installed capacity of 3,744 MT per annum, 1,872 MT per annum and 4,368 MT per annum for rusk, potato chips and namkeen products, respectively.

About the group

Crazy group is promoted by Ms. Upma Aggarwal, Mr. Sachin Aggarwal and Mr. Navin K. Aggarwal, with the incorporation of Crazy Snacks Private Limited in 1995, followed by the incorporation of Crazy Bakers Private Limited and Crazy Funfoods Private Limited in 2007 and 2014, respectively and Crazy Bakery Udyog was established in 2017. The group has integrated operations for the manufacturing of foods products ranging from bakery items to snacks food items. Crazyfun Foods Private Limited, engaged in the manufacturing of snack food products is a wholly-owned subsidiary of Crazy Snacks Private Limited. The group sells its products under the brand name "Crazy".

Analytical Approach

Acuite has considered the consolidated view of business and financial risk profiles of the Crazy Bakery Udyog, Crazy Snacks Private Limited, Crazy Funfoods Private Limited and Crazy Bakers Private Limited to arrive at this rating. The consolidation is in view of common management, presence in the same line of business and significant financial linkages between the entities. The group is herein referred to as "Crazy Group". Extent of consolidation: Full.

Key Rating Drivers

Strengths

- **Experienced management and long track record of operations**

The group is promoted by Ms. Upma Aggarwal, Mr. Sachin Aggarwal and Mr. Navin K. Aggarwal, who have an experience of over two decades in the aforementioned industry. Backed by their experience, they have been able to maintain long-term relations with their customers. The group caters to diversified product range including bakery products and snacks food products. Acuite believes the group will benefit from its experienced management which helps the group in maintaining long standing relations with its customers and suppliers.

- **Healthy financial risk profile**

The group has healthy financial risk profile marked by comfortable net worth, and debt protection metrics. The net worth of the group stood at Rs. 13.50 crore as on March 31, 2019 (Provisional) as against Rs. 11.87 crore as on March 31, 2018, owing to comfortable accretion to reserves due to moderate profitability. Gearing levels (debt-to-equity) stood at 0.47 times as on March 31, 2019 (Provisional) as against 0.25 times as on March 31, 2018. Further, the interest coverage ratio stood at 8.42 times for FY2019 (Provisional) as compared to 6.50 times for FY2018. Total outside liabilities to total net worth (TOL/TNW) stood at 1.32 times as on March 31, 2019 (Provisional) vis-à-vis 1.22 times as on March 31, 2018. Acuite believes that financial risk profile of the group is likely to remain healthy over the medium term, after considering the debt-funded capex, on account of healthy net worth and debt protection metrics. Further, the timely completion of the project will remain a key rating sensitivity.

- **Efficient working capital management**

The group has efficient working capital operations marked by gross current assets (GCA) of 47 days in FY2019 (Provisional) as compared to 33 days in FY2018. This is on account of debtors' collection period of 12 days in FY2019 (Provisional) as against 7 days in FY2018 and inventory holding period of 29 days in FY2019 (Provisional) as against 17 days in FY2018. The average cash credit utilization for the past six months stood at ~71.96 percent. Acuite believes that the working capital operations of Crazy group will continue to remain efficient on account of level of inventory to be maintained and the credit given to its customers.

Weaknesses

- **Moderate profitability**

The group has comfortable scale of operations. However, the profitability margins are moderate marked by an EBITDA margin of 3.33 percent in FY2019 (Provisional) as against 2.40 percent in FY2018. Further, the group operates in a highly competitive and fragmented nature of industry and faces tough competition from various organized and unorganized players which could impact the bargaining power with the customers and hence, the margins. Acuite believes that the group's ability to diversify its product base, since the group is in the process of manufacturing new products like layered cake to cater to the domestic market, will remain a key rating sensitivity.

- **Susceptibility to fluctuation in raw material availability**

The food processing industry is exposed to agro-climatic risks, which might affect the availability of the raw materials in adverse weather conditions. Given the highly regulated nature of the commodity market, the raw materials availability and in turn the group's operations are exposed to changes in government policies.

Liquidity position

The group has healthy liquidity marked by healthy net cash accruals to its maturing debt obligations. The group generated cash accruals of Rs. 2.67 crore for FY2019 (Provisional) while its maturing debt obligations were Rs. 0.14 crore for the same period. The cash accruals of the group are estimated to remain around Rs. 2.68 crore to Rs. 5.93 crore during 2020-22 against repayment obligations ranging from Rs. 1.35 crore to Rs. 1.85 crore. The group's working capital operations are comfortable marked by gross current asset (GCA) days of 47 days for FY2019 (Provisional). The group maintains unencumbered cash and bank balances of Rs. 1.46 crore as on 31 March 2019 (Provisional). The current ratio stands at 1.01 times as on 31 March 2019 (Provisional). Acuite believes that the liquidity of the group is likely to remain healthy over the medium term on account of healthy cash accruals against moderate debt repayments over the medium term.

Outlook: Stable

Acuite believes that Crazy Group will maintain a 'Stable' outlook over the medium term on the

back of its experienced management and healthy financial risk profile. The outlook may be revised to 'Positive' in case the group registers higher-than-expected growth in its revenue and profitability while improving its liquidity position. Conversely, the outlook may be revised to 'Negative' in case the group registers lower-than-expected growth in revenues and profitability or in case of deterioration in the group's financial risk profile or significant elongation in working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	103.27	95.09	107.97
EBITDA	Rs. Cr.	3.44	2.29	2.30
PAT	Rs. Cr.	1.11	0.33	0.16
EBITDA Margin	(%)	3.33	2.40	2.13
PAT Margin	(%)	1.08	0.35	0.14
ROCE	(%)	10.94	4.96	4.41
Total Debt/Tangible Net Worth	Times	0.47	0.25	0.29
PBDIT/Interest	Times	8.42	6.50	5.88
Total Debt/PBDIT	Times	1.82	1.31	1.59
Gross Current Assets (Days)	Days	47	33	21

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-17.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Consolidation of companies - <https://www.acuite.in/view-rating-criteria-22.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

*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	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BBB-/ Stable (Assigned)
Term Loan	Not Applicable	Not Applicable	Not Applicable	5.50	ACUITE BBB-/ Stable (Assigned)

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About Acuité Ratings & Research:

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