

## Rating Rationale

Asquare Food & Beverages Pvt. Ltd.

11 Feb 2020

**Brickwork Ratings downgrades the ratings for the Bank Loan Facilities of ₹. 21.90 Crores of Asquare Food & Beverages Pvt. Ltd.**

### Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Dec 2018)**	Present
Fund based	10.00	21.90	Long Term	BWR BB-Stable	BWR D (Downgradation)
<b>Total</b>	<b>10.00</b>	<b>21.90</b>	<b>INR Twenty Crores Only</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

Complete details of Bank facilities is provided in Annexure-I & II

\*\* The rating was migrated to rating not reviewed category in December 2019

### RATING ACTION/ OUTLOOK

BWR has downgraded the rating of Asquare Food & Beverages Pvt. Ltd. to BWR D due to delay in servicing interest & repayment based on bankers feedback and bank statement, low DSCR , high gearing ratio, Low top line & bottom line at low level, low net worth and small scale of operations, intense competition from reputed brands in the spices industry. However , there are a couple of strengths as well in the business as indicated below:

### KEY RATING DRIVERS

#### Credit Strengths:

- Experience of the promoters is over a decade in manufacturing and supply of the spices industry.
- Revenue increased reflected by sales of Rs.15.04Crs in FY19 VS Rs.0.01 Crs in FY18 and PAT of Rs.0.02Crs in FY19 VS Rs.0.01Crs in FY18. The company started its commercial operation in June 2018.
- Moderate ISCR stood at 1.68x FY19.
- Moderate Operating profit margin level to 14.94% in FY19.
- The Company uses state-of-the-art Air Classifying Mills (ACMs) for grinding instead of hammer mills to preserve the natural qualities of raw material spices. The unit



has started commercial production in FY19, after certain time overrun in project execution. The Company has met cost escalation from its own sources.

- The raw material suppliers are located across various states in India thus negating the reliability of any specific suppliers.
- Wide range of products are offered with various quantities and the marketing is done under the brand name of “Zoff”.

#### **Credit Concerns:**

- Delay in interest servicing & repayment as per bankers feedback and bank statement.
- Low DSCR stood at 0.89x FY19.
- Low and improved Liquidity Position with C.R. 1.29x in FY19 VS 0.90x in FY18.
- High gearing ratio reflected by TD/TNW at 4.79x in FY19 as against 4.63 7x in FY18.
- Low NET WORTH and scale of operation , since the initial stage of operations.
- Though commercial operations have commenced in FY19, the manufacturing unit is yet to be fully operationalised at optimum level.
- The Company faces intense competition from reputed brands in the spices industry.

#### **ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA**

For arriving at its ratings, BWR has applied its methodology as detailed in the Rating Criteria hyperlinked detailed below (hyperlinks provided at the end of this rationale).

#### **RATING SENSITIVITIES**

Going forward, the ability of the entity to timely servicing of interest/debt obligations, to increase its scale of operations, improve surplus margin and improve the coverage indicators will be the key rating sensitivities over short to medium term.

#### **LIQUIDITY POSITION: Stretched**

The cash and cash equivalents of Asquare Food & Beverages Pvt. Ltd..at Rs 0.07 Cr in FY19. The current ratio of the company stands at 1.29 x in FY19. The average utilisation of working capital stood at 100% . There is a delay in servicing interest & repayment based on lenders feedback and bank statement.

#### **COMPANY PROFILE**

M/S Asquare is a private limited company based in Raipur, Chhattisgarh. Incorporated in July 2015, it is wholly-owned (100%) subsidiary of Asquare Tradecon International Pvt. Ltd. Asquare has 2 directors Mr. Akash Agrawal and Mr. Ashish Agrawal. Asquare has initiated commercial operations recently in June 2018. The trial run for the same commenced in April 2018. It is presently engaged into processing of raw



spices like coriander, turmeric, chilly, jeera, black pepper etc. into powder form and its range includes essential spices powder as well as veg and non-veg masalas. The pack sizes range between 50 grams and 1 kg. Sales are made under the brand name of 'Zoff'. The processing plant is located in Raipur, the capital of Chhattisgarh. The Company uses state-of-the-art Air Classifying Mills (ACMs) for processing of spices. It is presently concentrating particularly on marketing and branding of its products by way of introduction of easy-to-use zipper packaging for its products and appointing a renowned celebrity actress as its brand ambassador.

### KEY FINANCIAL INDICATORS

Key Parameters	Units	2019	2018
Result Type		Audited	Audited
Operating Revenue	₹ Cr	15.04	0.01
EBITDA	₹ Cr	2.25	0.00
PAT	₹ Cr	0.02	0.01
TNW	₹ Cr	5.49	2.26
Total Debt/TNW	Times	4.79	4.63
Current Ratio	Times	1.25	0.90

**KEY COVENANTS OF THE FACILITY RATED: NA**

**NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY: NA**

### RATING HISTORY

S.No	Facility	Current Rating			Rating History		
		Tenure	Amount (₹ Crs)	Rating	30-Dec-19	27-Dec-18	2017
1	Fund Based	Long Term	21.90	<b>BWR D (Downgraded)</b>	<b>RNR</b>	<b>BWR BB-Stable</b>	<b>NA</b>
	<b>Total</b>		<b>21.90</b>	<b>Rupees Twenty One Crores Ninety Lakhs Only</b>			

### COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf)

### Hyperlink/Reference to applicable Criteria

- General Criteria
- Approach to Financial Ratios
- Manufacturing Companies

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### ANNEXURE I

#### Asquare Food & Beverages Pvt. Ltd. Details of Bank Facilities rated by BWR

Sl.No.	Name of the Bank	Type of Facilities	Long Term [₹ Cr]	Short Term [₹ Cr]	Total [₹ Cr]
1.	<b>Fund Based:</b> Punjab National Bank, Atal Nagar, Raipur	Cash Credit	12.00	-	12.00
		Term Loan I	3.60	-	3.60
		Term loan II	1.30	-	1.30
<b>TOTAL</b>					<b>21.90</b>

**Rupees Twenty One Crores and Ninety Lakhs Only**



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