



## Rating Rationale

**Asquare Food & Beverages Pvt. Ltd.**

**27 Dec 2018**

**Brickwork Ratings assigns the rating of 'BWR BB-' for the Bank Loan Facilities of ₹10 Crores of Asquare Food & Beverages Pvt. Ltd. ('Asquare' or 'the Company')...**

### Particulars

| Facility#    | Amount<br>(₹ Crs) | Tenure                     | Rating*  |
|--------------|-------------------|----------------------------|--|
| Fund Based   | 10.00             | Long Term                  | <b>BWR BB-</b><br>(Pronounced as BWR Double B Minus)<br><b>Outlook: Stable</b> |
| <b>Total</b> | <b>10.00</b>      | <b>INR Ten Crores Only</b> |  |

#Refer **Annexure-I** for details of bank loan facilities

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

### Rationale/Description of Key Rating Drivers/Rating sensitivities

BWR has essentially relied upon the audited financial statements of the Company from FY16 to FY18, provisional financials from April to October 2018, projected financials of FY19, FY20 and FY21, publicly available information and information/clarifications provided by the Company's management.

The ratings assigned to the bank facilities of Asquare draw strength from moderate Tangible Net Worth (TNW), modest but increasing scale of operations, fair experience of management personnel in spices industry, wide range of products offered and production via state-of-the-art Air Classifying Mills. The ratings are, however, constrained by inadequate current ratio and intense competition from reputed brands in the industry.

Going forward, the Company's ability to achieve its scale of operations/profitability as envisaged in the projections, better working capital management, generation of adequate cash flows to ensure timely servicing of interest/debt obligations and infusion of capital shall be the key rating sensitivities.



## Description of Key Rating Drivers

### Credit Strengths

- TNW stood at ₹2.26 Crs as at 31-Mar-18. Going ahead, it appears to increase in FY19 owing to infusion of long-term funds.
- The Company has started commercial operations with modest scale of operations as it is presently developing its customer base across Northern and Central India. Going forward, revenues are expected to increase due to constant branding and marketing of its products under the brand name of 'Zoff' as well as appointing a renowned Bollywood celebrity actress as its brand ambassador.
- The Company uses state-of-the-art Air Classifying Mills (ACMs) for grinding of raw materials 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 own sources.
- The raw material suppliers are located across various states in India, thus negating the reliability on any specific suppliers.
- Wide range of products are offered with various quantities and the marketing is done under brand name of 'Zoff'.
- Fair experience of management personnel in spices industry.

### Credit Risks

- Current ratio stood inadequate at 0.83x as at 31-Mar-18, as no business operations had commenced then. It appears that current ratio may improve in FY19 due to commencement of business operations in June 2018 and further development in business due to increase in customer and supplier base.
- 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**

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

### **Liquidity Profile**

Current ratio stood inadequate at 0.83x as at 31-Mar-18. Quick ratio also stood below unity at 0.38x as at 31-Mar-18, indicating higher inventory levels resulting in blockage of funds. Maximum outstanding amount in CC account from July to September 2018 stood at 100% of the existing limit. However, BWR expects improvement in current ratio on account of further increase in customer and supplier base.

### **Rating Outlook: Stable**

BWR believes the **Asquare Food & Beverages Pvt. Ltd.** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

### **About the Company**

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.

### **Company Financial Performance**

The Company has commenced commercial production since June 2018. Against projected scale of operations of ₹25 Crs in FY19, unit has achieved provisional revenue of ₹6.42 Crs from June to October 2018. Additional fund infusion by way of share capital (₹2.60 Crs) and unsecured loans (₹3.38 Crs) during current year FY19 is observed resulting in improvement in overall ratios. Coverage ratios and analysed gearing are projected at moderate and acceptable levels during FY19.



### Rating History for the last three years

| Sr. No.      | Instrument / Facility | Current Rating (December 2018) |                |  | Rating History    |                   |                   |
|--------------|-----------------------|--------------------------------|----------------|--|-------------------|-------------------|-------------------|
|              |                       | Type                           | Amount (₹ Crs) | Rating   | Date, Month, Year | Date, Month, Year | Date, Month, Year |
| 1.           | Fund Based            | Long Term                      | 10.00          | <b>BWR BB-</b><br>(Pronounced as BWR Double B Minus)<br><b>Outlook: Stable</b> | NA                |                   |                   |
| <b>Total</b> |                       |                                | <b>10.00</b>   | <b>INR Ten Crores Only</b>   |                   |                   |                   |

Status of non-cooperation with previous CRA: NA

Any other information: Nil

### Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Sector](#)

| Analytical Contacts  | Media  |
|--|--|
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**Asquare Food & Beverages Pvt. Ltd.**  
**Annexure-I**  
**Details of Bank Loan Facilities**

| Name of the Bank     | Facilities  | Tenure    | Amount<br>(₹ Crores) |
|----------------------|-------------|-----------|----------------------|
| Punjab National Bank | Cash Credit | Long Term | 5.50                 |
|                      | Term Loan   |           | 4.50                 |
| <b>Total</b>         |             |           | <b>10.00</b>         |

**Asquare Food & Beverages Pvt. Ltd.**  
**Annexure-II**  
**Key Financial Indicators**

| Key Parameters                | Units | 2018    | 2017    |
|-------------------------------|-------|---------|---------|
| Result Type                   |       | Audited | Audited |
| Operating Revenue             | ₹ Cr  | 0.01    | 0.00    |
| EBITDA                        | ₹ Cr  | 0.00    | 0.00    |
| PAT                           | ₹ Cr  | 0.01    | 0.00    |
| Tangible Net Worth            | ₹ Cr  | 2.26    | 2.25    |
| Total Debt/Tangible Net Worth | Times | 4.63    | 0.22    |
| Current Ratio                 | Times | 0.83    | 5.47    |

*Commercial operations have started since June 2018.*



### **For print and digital media**

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### **Note on complexity levels of the rated instrument:**

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### **About Brickwork Ratings**

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