Rating Rationale

Isha Snacks Pvt. Ltd.

05-Feb-2019

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 12.00 Crores of Isha Snacks Pvt. Ltd..

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based	**12.00**	**Long Term**	**BWR BB- (Pronounced as BWR Double B Minus)** Outlook: Stable
Total	**12.00**	**INR Twelve Crores Only**	

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon audited financial results of FY18, projected financial statements of FY20, publicly available information and information/clarifications provided by the management.

The rating draws strength from the vast experience of the promoters in this business and significant improvement seen in top line, comfortable margins clubbed with comfortable debt repayment capacity of the company with good conversion cycle. However, the ratings are constrained by moderate level of networth & competition faced from organized players affecting the margins of the company .

The company's ability to scale up its operations, improve its capital structure and meeting the projections and maintaining the financial risk profile with a capex on hand will be a key rating sensitivity.

Description of Key Rating Drivers

Credit Strengths:

- **Extensive experience of the promoters:-**Benefits from the promoters' experience of over a decade, their strong understanding of local market dynamics, and healthy relations with customers and suppliers should continue to support the business.

- **Significant Improvement in Top Line:-**The company has observed a y-o-y increasing trend in revenues. The company has achieved a growth of 46.91% in FY 18 (34.98crs) as against FY17 (23.81crs).The company has achieved a sales of Rs 36.99 crs till Dec 2018 already crossing its previous years turnover.
- **Comfortable margins:**-EBITDA margins are comfortable.at 6.76% in FY18. The margins have improved from 6.06% in FY17The company has comfortable NPM at 3.18% in FY18
- **Comfortable Debt Repayment Capacity:**ISCR and DSCR are comfortable at 23.60x and 3.18x in FY18 showing adequate repayment capacity of company. However even with increase in Term loan facilities the DSCR will fall to 2.15x -although quiet comfortable
- **Comfortable conversion cycle:**Conversion cycle is comfortable at 1 day indicating less liquidity blockage for the company.

Credit Risks:

- **Low Level of Net worth :**-Networth is moderately low at 4.14crs in 2018; affecting the capital structure of company.
- **Competition from Large Organized Players:-** Competition from large organised players affects the company's margins and coverage .
- **High Gearing due to presence of USL:**Gearing is moderate with Total Debt/TNW at 1.77 times and TOL/TNW at 1.48 times in FY18 due to presence of USL.
- **Liquidity position is constrained** at the current ratio is at 0.76 times in FY18.

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).

Rating Outlook: *Stable*

BWR believes the **Isha Snacks 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

Isha Snacks Private Limited is a Private incorporated on 11 May 2012. The promoters have been engaged in the current line of activity through various firms since 2000. The company is involved in Manufacture of other food products.Directors of Isha Snacks Private Limited are Altafali Vazirali Panjwani, Amirali Vazirali Panjwani and Vazirali Ismailbhai Panjavani..Isha Snacks Private Limited's has its factory located at Sarkhej Bavla Highway Ahmedabad.The company currently has an installed capacity of 9000 kg and 3600kg with fryer 1 and 2 machine per day .The company is proposing a Fryer 1 & 2 wafer manufacturing machine with a production capacity of 9000 kg and 2700 kg per day.The company is currently selling its product under the Brand name "Bablu Frymes and Namkeen"

Company Financial Performance

The company has observed a y-o-y increasing trend in revenues. The company has achieved a growth of 46.91% in FY 18 (34.98crs) as against FY17 (23.81crs).The company has achieved a sales of Rs 36.99 crs till Dec 2018 already crossing its previous years turnover.Operating Income has increased from 1.43crs(FY17) to Rs 2.36 crs(FY18) almost doubled.PAT has also increased from 0.67crs (FY17) to Rs 1.11 crs (FY18).Both PAT and OPM margins are comfortable at 3.18% and 6.76% respectively in 2018.

Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		**Audited**	**Audited**
Operating Revenue	₹ Cr	34.98	23.81
EBITDA	₹ Cr	2.36	1.43
PAT	₹ Cr	1.11	0.67
Tangible Net worth	₹ Cr	4.14	3.03
Total Debt/Tangible Net worth	Times	1.77	1.06
Current Ratio	Times	0.76	0.96

Rating History for the last three years

S.No	Facility	Current Rating			Rating History		
		Type	Amount (₹ Crs)	Rating	2018	2017	2016
1	**Fund Based**	Long Term	12.00	BWR BB- (Pronounced as BWR Double B Minus) Outlook: Stable	**-**	**-**	**-**
	Total		**12.00**	**₹ Twelve Crores Only**			

Status of non-cooperation with previous CRA (if applicable)-N.A
Any other information

Hyperlink/Reference to applicable Criteria

- General Criteria
- Approach to Financial Ratios

For any other criteria obtain hyperlinks from website

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Note on complexity levels of the rated instrument:
BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.
BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

DISCLAIMER

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