Rating Rationale

S.A. Nashipudi

30 Mar 2019

Brickwork Ratings assigns the ratings BWR B- for the Bank Loan Facilities of ₹. 7.58 Crores of S.A. Nashipudi.

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund Based	7.58	Long Term	**BWR B-** *(Pronounced as Single B Minus)* **Outlook: Stable**
Total	7.58	**INR Seven crores and Fifty Eight Lakh Rupees**	

*Please refer to BWR website 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 upto FY18, projected financials upto FY20, publicly available information and information / clarifications provided by the company's management.

The rating draws strength from the extensive experience of promoter, well established operations of the concern, long operational track record and reputed clientele base of the company. The ratings are however constrained by the leveraged capital structure, below average financial risk profile, stressed working capital cycle, concentration risk and moderate profitability of the concern.

Description of Key Rating Drivers

Credit Strengths:

- **Proprietor's extensive industry experience:** Mr. Nashipudi, the proprietor of the firm, and his family members have experience of around 20 years in the red chilli industry. His industry insights, knowledge of the domestic market, and healthy relationships with suppliers and customers will support the business risk profile of the firm.

Credit Risks:

- **Leveraged Capital Structure:** The concern has a capital of Rs. 1.10 crores and total debt of Rs. 5.19 cr resulting in a leverage ratio of 4.73 times in FY18.
- **Average Financial Risk Profile:** The financial risk profile is average marked by gearing of 4.73 times as on 31 March, 2018 as against 2.69 times in the previous year. The total debt stood at Rs. 5.19 crore which includes short term borrowings of Rs. 3.04 crore. The interest coverage ratio stood at 4.1 times in FY18 and debt service coverage ratio (DSCR) stood at 1.74 times for FY18. The tangible networth stood at Rs. 1.10 crore as on 31 March, 2018 compared to Rs. 0.97 crore in the previous year. The net cash accruals to total debt (NCA/TD) stood at 0.17 times in FY2017 as against 0.24 times in FY2017.
- **Concentration risk:** Top 3 customers of the concern are the source of 60% of its revenue.
- **Stressed working capital cycle:** The concern has 123 days of days receivable and 152 days of days payable and current ratio is 0.97 times.
- **Inherent risks associated with the proprietorship nature of the concern, including capital withdrawal by the proprietor:** Going ahead, any significant withdrawal of capital by the proprietor may put pressure on the capital structure of the firm.
- **Highly competitive and fragmented industry:** The firm is exposed to intense competition from other organised and unorganised players in the red chilli 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).

Rating Outlook:

BWR believes the **S.A. Nashipudi** 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

- S. A Nashipudi is a sole proprietorship concern established in 1960. It is engaged in Trading of red chillies and processing of chilli powder. Its products are Dry Chili, Chilly powder, Chilly Seeds and Gunny Bags. The Proprietor of the concern is Mr. S. A Nashipudi who has an experience of 20 years in the industry. It produces red chilly powder and pizza cut chilly.

Company Financial Performance

- Operating Revenue has remained constant at Rs. 53 crores in FY18.
- Interest and financial charges include interest payments to bank and friends and family (friends and family)
- High leverage with debt equity of 4.37 times for FY18 as against 2.69 times in FY17 due to increased borrowings.
- Average debt protection metrics seen by ISCR of 4.1 times and DSCR of 1.74 times in FY18.
- The concern has below average profitability seen by Net Profit Ratio and Operating Profit of 0.7% and 2.13 % respectively.

Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type			
Operating Revenue	₹ Cr	53.06	53.17
EBITDA	₹ Cr	1.13	0.64
PAT	₹ Cr	0.37	0.60
Tangible Net worth	₹ Cr	1.10	0.97
Total Debt/Tangible Net worth	Times	4.73	2.69
Current Ratio	Times	0.97	1.06

Rating History for the last three years

S.No	Instrument /Facility	Current Rating			Rating History		
		Type	Amount (₹ Crs)	Rating	2018	2017	2016
	Fund Based	Long Term	7.58	**BWR B-** *(Pronounced as Single B Minus)* **Outlook: Stable**	**Not Rated**		
	Total		7.58	**INR Seven crores and Fifty Eight Lakh Rupees**			

Status of non-cooperation with previous CRA - Nil

Any other information: Nil

Hyperlink/Reference to applicable Criteria

- **General Criteria**
- **Approach to Financial Ratios**
- **Short Term Debt**

For any other criteria obtain hyperlinks from website

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For print and digital media

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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.

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