



## Rating Rationale

VaishVik Foods Private Limited

28<sup>th</sup> April 2017

### Brickwork Ratings upgrades the ratings for the Bank Loan Facilities of Rs. 40.24 Cr of VaishVik Foods Pvt. Ltd.

#### Particulars

Facility Rated	Amount (Rs. Crs)		Tenure	Rating *	
	Previous	Present		Previous	Present
Fund Based	46.07	40.24	Long Term	BWR BB (Pronounced as BWR Double B) (Outlook: Stable)	<b>BWR BB+</b> (Pronounced as BWR Double B Plus) <b>(Outlook: Stable)</b> <b>Upgrade</b>
<b>Total</b>	<b>46.07</b>	<b>40.24</b>	<b>INR Forty Crores and twenty four lakhs only</b>		

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

#### Ratings Upgraded

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

BWR has principally relied upon the audited financial results of FY14 – FY16, provisional 9MFY17 financial results, and projected financial results of FY17 – FY18 and publicly available information and information/clarification provided by the company's management.

The rating has been upgraded due to improvement in the operational & financial risk profile of the company in FY16. BWR also continued factoring, *inter alia*, experienced management in the field of customized solution provider for food industry; customer base with medium term contract and commencement of the backward integration into the business from 2017 onwards.

The Rating is however, constrained by, stretched but improving liquidity position; inherent characteristic of vulnerability of operating margins owing to volatility in raw material prices. It is also reserved due to highly competitive and fragmented nature of its industry.

Going forward, growth in the revenue and profitability with full working of the integrated operation would be the key rating sensitivities.

##### Rating Outlook: Stable

BWR believes the **VaishVik Foods Private Limited's** 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**

Vaishvik Foods Pvt. Ltd. was incorporated in the year 2008 by Mr. Vikas D Dangat at Pune, Maharashtra as a trading unit for processed food and subsequently it started its food processing plant in late 2012.

It belongs to SV Group of companies which was established in the year 1996, having a presence in diversified business line, ranging from manufacturing of specialized automated machineries, food processing machines such as conveyors belt, garlic peeling machine, etc.

VFPL is engaged in food processing having a wide range of processed food such as ready to cook, culinary paste and sauces, frozen foods and preserved canned foods and is marketed under the brand name of "Eatwell". It has an in house R&D facility and having an installed capacity of 17528 tons p.a. of all the products mentioned herein.

It caters to both domestic as well as international customers (based in Europe - Germany, UK, Poland, Belgium, France, Turkey; USA, Russia, UAE, etc.).

The company has initiated a fully integrated food processing plant, whereby; it was to set up 5 *pack houses* which are basically associated with 6000 – 7000 farmers, to whom training would be provided right from sowing the seeds till the harvesting of it. Currently out of the 5 pack houses, 2 pack houses are operational from April 2017 and the rest of the 3 pack houses are expected to be operational from May/June 2017.

### **Company Financial Performance**

The net sales have increased by ~25% in FY16 and stood at Rs. 33.97 Cr (trading: food processing:: 50:50), with a net profit of Rs. 0.01 Cr as against Rs. 26.18 Cr of net sales and net profit of Rs. 0.06 Cr. The OPM stood at 14.65% in FY16.

VFPL has infused capital at a premium in FY16 and the TNW stood at Rs. 27.40 Cr vis-à-vis Rs. 17.44 Cr in FY15. Subsequently, the gearing seems to be moderate at 1.29X, despite of increase in debt for its capex program. And considering the USL from the promoter's group, it improves further.

On a provisional basis, the company has already achieved Rs. 29.52 Cr (trading: food processing = 30:70), of revenue in its 9MFY17, with an improved OPM of 21.96%.

**Rating History for the last three years (including withdrawn/suspended ratings)**

Sl. No.	Instrument/Facility	Current Rating (Year 2017)			Rating History		
		Type	Amount	Rating	02 <sup>nd</sup> February 2016	2015	2014
1	Cash Credit	Long Term	Rs. 12.00 Cr	BWR BB+	BWR BB	NA	NA
	PC/PDFC/FBP/FUBD		Rs. (7.75) Cr	(Outlook: Stable)	(Outlook: Stable)		
	SOD		Rs. 4.75 Cr				
	Term Loans		Rs. 23.49 Cr				

**Hyperlink/Reference to applicable Criteria**

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [http://www.brickworkratings.com/download/Criteria\\_ManufacturingCompanies.pdf](http://www.brickworkratings.com/download/Criteria_ManufacturingCompanies.pdf)

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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](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).

**About Brickwork Ratings**

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been 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 Nationalized 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, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated



about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

#### **DISCLAIMER**

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