



SMERA RATINGS LIMITED

Sun Agrifresh Industries Private Limited (SAIPL)

*Rating
Rationale*

December 24, 2014

Facilities	Amount (Rs. Crore)	Ratings
Term Loan (proposed)	12.00	SMERA BB+/ Stable (Assigned)
Working Capital Term Loan	0.50	SMERA BB+/ Stable (Assigned)
Cash Credit	6.00	SMERA BB+/ Stable (Assigned)
Cash Credit (proposed)	7.50	SMERA BB+/ Stable (Assigned)
Letter of Credit (proposed)	1.00	SMERA A4+ (Assigned)

SMERA has assigned ratings of '**SMERA BB+**' (read as **SMERA double B plus**) and '**SMERA A4+**' (read as **SMERA A four plus**) to the abovementioned bank facilities of Sun Agrifresh Industries Private Limited (SAIPL). The outlook is '**Stable**'. The ratings are supported by the company's comfortable gearing (debt-equity ratio), healthy debt protection metrics and strong profitability. The ratings are also supported by the company's widespread distribution network and experienced management. However, the ratings are constrained by the company's moderate operating scale and working capital-intensive operations. The ratings are also constrained by the funding risk associated with the company's planned capex.

SAIPL, incorporated in 2007, is a Delhi-based company engaged in undertaking contract farming. SAIPL also undertakes trading of agricultural products such as rice, wheat, pulses, vegetables and herbs. SAIPL's gearing (debt-equity ratio) is comfortable at 1.20 times as on March 31, 2014. The company reported interest coverage ratio of 4.95 times in FY2013-14 (refers to financial year, April 01 to March 31). SAIPL's strong profitability is evidenced by operating profit margin of 10.92 per cent and net profit margin of 8.08 per cent in FY2013-14. The company has a widespread distribution network. SAIPL benefits from its experienced management. Mr. Nilesh Singh, director of SAIPL, has around two decades of experience in the agriculture sector.

SAIPL's moderate operating scale is reflected in revenues of Rs.85.94 crore in FY2013-14. The company's operations are working capital-intensive, as evidenced by gross current assets (GCA) of ~160 days and collection period of 90 days in FY2013-14. SAIPL's utilisation of working capital limit is high at 97.12 per cent during January 2014 to September 2014. The company's working capital requirements are expected to increase going forward on account of the projected increase in scale of operations.

SAIPL has planned debt-funded capex of Rs.15.00 crore over medium term; however, the funding for the capex has not been tied up.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.



SMERA RATINGS LIMITED

Sun Agrifresh Industries Private Limited (SAIPL)

*Rating
Rationale*

Outlook: Stable

SMERA believes SAIPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected cash flows from operations while achieving efficient working capital management. The outlook may be revised to 'Negative' in case the company registers lower-than-expected revenues or profitability, or in case of deterioration in the company's working capital management and financial risk profile.

About the company

SAIPL, incorporated in 2007, is a Delhi-based company promoted by Mr. Nilesh Singh. SAIPL undertakes contract farming. The company is also engaged in trading of agricultural products such as rice, wheat, pulses, vegetables and herbs. SAIPL has ~4,500 acres of land under cultivation across India.

For FY2012-13, SAIPL reported net profit of Rs.4.18 crore on total income of Rs.41.22 crore, as compared with net profit of Rs.2.90 crore on total income of Rs.21.15 crore in FY2011-12. Further, the company registered revenues of Rs.85.94 crore in FY2013-14. SAIPL's net worth stood at Rs.15.00 crore as on March 31, 2014, as compared with Rs.8.08 crore a year earlier.

Contact List:

Media / Business Development	Analytical Contacts	Rating Desk
Mr. Sanjay Kher Vice President, Sales – Corporate Ratings Tel: +91-22-6714 1193 Cell: +91 9819136541 Email: sanjay.kher@smera.in Web: www.smera.in	Mr. Ashutosh Satsangi Vice President – Operations Tel: +91-22-6714 1107 Email: ashutosh.satsangi@smera.in	Tel: +91-22-6714 1170 Email: ratingdesk@smera.in

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.