

Press Release

Sun Agrifresh Industries Private Limited

August 12, 2017



Rating Assigned

Total Bank Facilities Rated*	Rs. 60.00 Cr.
Long Term Rating	SMERA B+ / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B+**' (**read as SMERA B plus**) and short term rating of '**SMERA A4**' (**read as SMERA A four**) on the Rs. 60.00 crore bank facilities of Sun Agrifresh Industries Private Limited. The outlook is '**Stable**'.

Sun Agrifresh Industries Private Limited (SAIPL), the former Sun Infratech Private Limited, was incorporated on 16 March, 2007. SAIPL is engaged in the milling and processing of wheat flour and has installed capacity of 160 MTPA. The company is also into contract farming at Greater Noida (New Delhi), Ghaziabad (Uttar Pradesh) and Pali city (Rajasthan) and trades in organic and inorganic agro products (rice, wheat, pulses, vegetables and herbals). Additionally, the company undertakes sale of agricultural land too.

Key Rating Drivers

Strengths

- **Experienced management**

SAIPL is a family owned company with the promoters, Mr. Nilesh Kr. Singh and Mr. Ritesh holding 100 percent stake. The promoters possess extensive industry experience and are assisted by a team of qualified professionals.

- **Established brand name of Sun Agrifresh and Sun Foods**

The company is engaged in the trading of agro products such as rice, wheat, pulses, vegetable and herbals and sells its products under the 'Sun Agrifresh' and 'Sun Foods' brands.

Weaknesses

- **Weak debt protection metrics**

SAIPL reported a total debt of Rs. 54.58 crore on 31 March, 2017 (Rs. 61.22 crore on 31 March, 2016) out of which Rs. 35.31 crore is long term in nature - availed to fund capital expenditure of the company in FY2015-16. The rating is constrained by the limited headroom available between the operating cash flows of the company and its debt servicing commitments. SAIPL reported a debt service coverage ratio (DSCR) of 1.00 times in FY2017 (Provisional) as against 1.04 times in FY2016. Any shortfall in operating cash flows vis-à-vis its debt servicing commitments shall require refinancing efforts by the company over the near to medium term. The interest coverage stands moderate at 1.43 times in FY2017 (Provisional) compared to 2.45 times in FY2016. The net cash accrual by total debt (NCA/TD) stands at 0.04 times in FY2017 (Provisional) as compared to 0.14 times in FY2016.

- **Significant decline in operating income and profitability margins**

The operating income declined to Rs.161.12 crore in FY2017 (Provisional) compared to Rs.220.58

crore in FY2016 resulting in fall in profitability margins to 0.30 percent in FY2017 (Provisional) compared to 3.08 percent in FY2016.

• Intense competition

The company faces intense competition from various players which is likely to have an impact on its operating performance and profitability.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of the company.

Outlook: Stable

SMERA believes that the company will maintain a stable outlook in the medium term owing to the management's extensive experience. The outlook may be revised to 'Positive' if the company registers higher-than-expected revenues and cash accruals with improvement in debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in its financial risk profile due to debt-funded capital expenditure.

About the Rated Entity - Key Financials

For FY2017 (Provisional), the company reported profit after tax (PAT) of Rs.0.48 crore on operating income of Rs.161.12 crore, compared to Rs.6.80 crore on operating income of Rs.220.58 crore in FY2016. The net worth stood at Rs.32.35 crore as on 31 March, 2017 (Provisional) against Rs.31.77 crore a year earlier. The net worth of Rs.32.25 crore in FY2017 includes quasi equity of Rs.3.00 crore.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	22.50	SMERA B+ / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	2.50	SMERA A4
Proposed	Not Applicable	Not Applicable	Not Applicable	35.00	SMERA B+ / Stable

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