

Press Release
S A Fruit International

June 07, 2018

Rating Upgraded



Total Bank Facilities Rated*	Rs. 20.00 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuite has upgraded the long term rating to **'ACUITE B+' (read as ACUITE B plus)** from **'ACUITE B' (read as ACUITE B)** and reaffirmed the short term rating of **'ACUITE A4' (read as ACUITE A four)** to the Rs.20.00 crore bank facilities of S A Fruit International. The outlook is 'Stable'

The upgrade in the rating mainly factors in stabilization of operations, moderate working capital cycle and further, meeting the revenues estimates. The ratings are constrained by exposure to raw material price fluctuations and forex risk and competitive nature of industry.

S A Fruit International (SAFI) is a Coimbatore based partnership firm started in the year 2015. It is promoted by Mr. Mohammed Saffiulla and his family. It is engaged in trading of fruits such as Apples, Oranges, Citrus, Kiwis among others. The firm sources fruits from the USA, China, France, New Zealand and within India. Fruits procured were supplied all over India through the dealer network. Further, fruits are also sold in the overseas markets of Gulf countries, Sri Lanka, Malaysia among others.

Key Rating Drivers

Strengths

• **Experienced management and long track record of operations**

The promoter of the partnership firm Mr. Mohammed Saffiulla hailed from an agriculture background possess more than 2 decades of experience in the said line of business. He is also a promoter of the S.S group of companies which is trading of fruits and vegetables, cold storage operations since 1996. Acuite believes that, the firm will benefit from its experienced management in the industry.

• **Moderate financial risk profile and working capital cycle**

Financial risk profile of the firm is moderate reflected in moderate gearing (debt to Equity), total outside liabilities to total net worth (TOLTNW) and debt protection metrics. Gearing and TOLTNW are moderate at around 2 times for the last two years through FY2018 (refers to financial year, April 1st to March 31st) on account of moderate networth for the business levels at Rs.7.8 crores as of March 31, 2018. Interest coverage ratio is comfortable at 1.7 times in FY2018. Acuite believes that, financial risk profile is expected to be moderate in the absence of debt-funded capital expenditure programme and moderate accretions to reserves.

Working capital cycle of the firm is comfortable with gross current assets days 89 days in FY2018. Debtor management is healthy at 3 days. However, inventory is around 3 months in FY2018, as the firm stores fruits in the cold storage for 3 to 6 months' time for evenly supplies of seasonal fruits across the period. Acuite believes that healthy realisation of debtors is expected to continue to keep the working capital operations at moderate levels.

Weaknesses

• **Exposure to raw material price fluctuation and forex risk.**

Margins of the firm are low on account of trading nature of the business. Further, the firm imports 70 percent of various fruits from the USA, France, New Zealand among others. SAFI maintains inventory of around 3 months to 6 months for regular supply of fruits in every season. Any adverse changes in prices coupled with fluctuations in currency rate would adversely affect the margins of the firm.

• **Competitive and fragmented industry**

SAFI operates in a highly fragmented industry with limited entry barriers wherein the presence of a large number of organised and unorganised players in the sector limits the bargaining power with customers.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the SAFI to arrive at this rating.

Outlook: Stable

Acuite believes that SAFI will maintain a stable outlook in the medium term owing to the extensive experience of the promoters. The outlook may be revised to Positive if the firm substantially improves its scale of operations while improving its profitability and capital structure. Conversely, the outlook may be revised to Negative in case of any stretch in its working capital management or any sharp decline in its profitability.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	92.25	32.19	-
EBITDA	Rs. Cr.	1.39	0.46	-
PAT	Rs. Cr.	0.58	0.11	-
EBITDA Margin	(%)	1.50	1.42	-
PAT Margin	(%)	0.63	0.35	-
ROCE	(%)	5.89	4.02	-
Total Debt/Tangible Net Worth	Times	2.11	2.18	-
PBDIT/Interest	Times	1.72	1.34	-
Total Debt/PBDIT	Times	11.89	33.87	-
Gross Current Assets (Days)	Days	89	236	-

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Trading Entities - <https://www.acuite.in/criteria-trading.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
31 Mar, 2018	Cash Credit	Long Term	5.00	ACUITE B/Stable (Issuer Non Cooperative)
	Proposed Bank Facility	Short Term	10.00	ACUITE A4 (Issuer Non Cooperative)
01 Mar, 2017	Cash Credit	Long Term	5.00	ACUITE B/Stable (Assigned)
	Proposed Bank Facility	Short Term	10.00	ACUITE A4 (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE B+/ Stable
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A4

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About Acuité Ratings & Research:

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