

Press Release

Newgen Agro Processors Private Limited

23 April, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 13.00 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**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs.13.00 crore bank facilities of Newgen Agro Processors Private Limited. The outlook is '**Stable**'.

Newgen Agro Processors Pvt. Ltd. (NAPL) was set up in 2010 by Mr. Ramesh Kumar, Mr. Venugopal Ambady, Mr. Sharaf and Mr. Paniker. The company is engaged in manufacturing of fruit pulp from mangoes and guavas. It has a processing unit in Tamil Nadu with capacity of 9000 metric tonnes per annum. Around 80 percent of the company's revenues come from the sale of mango pulp and rest from the sale of guava pulp.

Key Rating Drivers

Strengths

Established clientele and geographic reach

NAPL has been able to develop a long term relationship with clients including ITC Limited, Masafi Co. LLC to name a few. Apart from selling to domestic clients, NAPL exports the pulp to Middle East, Europe, Tunisia, among others.

Weaknesses

Declining revenue trend

The operations of NAPL have declined as the company has registered revenue of Rs.17.48 crore for FY2017 as compared to Rs.20.35 crore for FY2016. From April to December 2017, the company registered revenue to the tune of ~ Rs.9.31 crore. The major reason for decline in revenue trend is due to cancellations of export orders and seasonal demand for fruit juices.

Working capital intensive operations

NAPL's operations are working capital intensive as the Gross Current Asset (GCA) days grew to 220 in FY2017 as against 148 in FY2016. The GCA days are mainly dominated by high inventory days of 180 in FY2017 as against 100 in FY2016. The company has a policy to hold finished goods inventory for upto 6 months. Out of the total inventory of the company, approximately 92 percent is finished goods. The average cash credit utilisation stood at ~85 percent for six months ending February, 2018. The debtor days increased to 46 in FY2017 as against 32 in FY2016. SMERA believes that an efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

Weak financial risk profile marked by negative networth

NAPL has weak financial risk profile marked by negative networth of Rs. (0.15) crore in FY2017 as against Rs. (0.03) crore in FY2016, this is on account of accumulated losses incurred by the company.

The Interest Coverage Ratio (ICR) stood at 1.75 times in FY2017 as against 1.15 times in FY2016.

Analytical Approach

For arriving at this rating, SMERA has considered the standalone business and financial risk profile of NAPL.

Outlook: Stable

SMERA believes NAPL will maintain a 'Stable' business risk profile over the medium term based on the established clientele. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while achieving sustained improvement in operating margins and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues or profit margins, or in case of deterioration in working capital management.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	17.48	20.35	18.06
EBITDA	Rs. Cr.	2.71	1.77	2.67
PAT	Rs. Cr.	(0.11)	(1.11)	(0.02)
EBITDA Margin	(%)	15.47	8.70	14.79
PAT Margin	(%)	(0.64)	(5.44)	(0.14)
ROCE	(%)	8.94	2.07	19.59
Total Debt/Tangible Net Worth	Times	(111.19)	(498.96)	38.57
PBDIT/Interest	Times	1.75	1.15	2.18
Total Debt/PBDIT	Times	5.84	9.11	4.35
Gross Current Assets (Days)	Days	220	148	95

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

Not Applicable

Any other information:

Not Applicable

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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.00	SMERA B / Stable
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	1.63	SMERA A4

Term loans	Not Applicable	Not Applicable	Not Applicable	3.66	SMERA B / Stable
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.71	SMERA B / Stable

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ABOUT SMERA

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