

Press Release

Sus Agro Foods India Private Limited

July 04, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 16.50 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) on the Rs. 16.50 crore bank facilities of SUS Agro Foods India Private Limited. The outlook is '**Stable**'.

Incorporated in 2014, SUS Agro Foods India Private Limited (SAFIPL) is a Kathua (Jammu) based company engaged in manufacture of dairy based product such as ghee, whole milk powder and skimmed milk powder along with curd, paneer and butter. SAFIPL is part of Vishwas Group promoted by Mr. Sanjeev Arora and Mrs. Upasana Arora.

Incorporated in 2008, Vishwas Milk Product Private Limited (VMPPL) is an Amritsar (Punjab) based company promoted by Mr. Sandeep Arora and Mrs. Upasana Arora. The company's product profile includes milk and value added products such as milk powder, ghee, paneer, and curd. VMPPL procures milk from contractor based out of Amritsar. Post processing and packaging, the milk is sold under its brand name 'Milk land' in Punjab, Haryana and Himachal Pradesh.

ACUITE has taken a consolidated view of Vishwas Milk Products Private Limited (VMPPL) and SUS Agro Foods Private Limited (SAFPL) referred to as the Vishwas Group. The consolidation is in view of common management, same line of business and financial linkages in form of corporate guarantee extended by SUS to VMPPL.

Key Rating Drivers

Strengths

- **Established track record and experienced management**

Vishwas group has an established track record spanning over a decade in the dairy industry. Mr. Sanjeev Arora, B Tech (specialization in Dairy business) has more than a decade of experience in processing and trading of milk and milk products.

- **Moderate financial risk profile**

The financial risk profile of Vishwas group is moderate, marked by modest capital structure and adequate debt protection metrics. Net worth and gearing stood at Rs 14.38 crore and 1.24 times, respectively, as on March 31, 2018. The debt protection gearing is healthy marked by interest coverage ratio of 2.18 percent in FY2018 as compared to 1.91 percent in FY2017. The net cash accrual to total debt is moderate and same stood at 0.12 percent as against 0.10 percent.

Weaknesses

- **Modest scale of operations, with geographical concentration in revenue**

The company registered modest operating revenue of Rs 27.18 Crore in FY2018 (provisional) as against Rs 27.46 Crore in the previous year. On a consolidated basis, the group posted operating revenue of Rs 73.56 Crore in FY2018 as against Rs 67.46 Crore in the previous year. Further, the operation of group is concentrated in Punjab, Haryana, Himachal Pradesh and Jammu.

- **Constrained Liquidity Position**

Liquidity profile of SAFIPL is constrained by modest cash accruals against which the company has

term loan repayment obligations. Cash accruals stood at around Rs 1.44 crore in FY2018 against long term obligations of Rs 1.86 Crore. Further, the liquidity is constrained by long inventory cycle, reflected by inventory days of 83 days as on 31 March, 2018, and full utilization of fund based limits.

• Susceptibility to volatility in milk prices, changes in government regulations

Price of milk, primary raw material, is sensitive to changes in government policies, and environmental conditions. Operating profitability is thus, vulnerable to the Government of India's (GoI's) policies, related to the minimum support price (MSP) at which milk is purchased from farmers. Further, the group is exposed to socio-political disturbance in Jammu region where SAFPL is operational.

Analytical Approach

ACUITÉ has taken a consolidated view of Vishwas Milk Products Private Limited (VMPPL) and SUS Agro Foods Private Limited (SAFPL) referred to as the Vishwas Group.

Outlook: Stable

Acuite believes that the group will maintain a Stable outlook over the medium term owing to its promoter's extensive experience and modest financial risk profile. The outlook may be revised to 'Positive' in case of improvement in debt coverage indicators. Conversely, the outlook may be revised to 'Negative' in case of further weakening of its liquidity position.

About the Group

Viswas Group (VG), incorporated in 2008 is engaged in the processing of milk and manufacturing of dairy based products including ghee, skimmed milk powder and whole milk powder. VG comprises of two entities i.e. Vishwas Milk Products Private Limited and SUS Agro Foods India Private Limited. VG is promoted by Mr. Sanjeev Arora and Mrs. Upasana Arora. The group has 2 units located at Kathua, Jammu and Amritsar with a combined installed capacity of processing 230.00 lac litres of milk per annum.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	73.56	67.46	58.27
EBITDA	Rs. Cr.	4.12	3.93	3.37
PAT	Rs. Cr.	0.66	0.30	-0.38
EBITDA Margin	(%)	5.60	5.83	5.79
PAT Margin	(%)	0.90	0.45	-0.64
ROCE	(%)	7.94	8.08	13.22
Total Debt/Tangible Net Worth	Times	1.24	1.59	1.85
PBDIT/Interest	Times	2.18	1.91	1.53
Total Debt/PBDIT	Times	4.40	4.86	5.32
Gross Current Assets (Days)	Days	88	80	86

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.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
Proposed	Not Applicable	Not Applicable	Not Applicable	0.32	ACUITE B+ / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.50	ACUITE B+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.78	ACUITE B+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.25	ACUITE B+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	3.45	ACUITE B+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	5.20	ACUITE B+ / Stable
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A4

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About Acuité Ratings & Research:

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