

## Press Release

### Sunshine Bakery Foods Private Limited

September 17, 2018

### Rating Assigned



<b>Total Bank Facilities Rated*</b>	Rs. 6.50 Cr.
<b>Long Term Rating</b>	ACUITE B+ / Outlook: Stable

\* Refer Annexure for details

### Rating Rationale

Acuite has assigned long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) on the Rs.6.50 crore bank facilities of Sunshine Bakery Foods Private Limited (SBFPL). The outlook is '**Stable**'.

The Tamil Nadu-based, SBFPL was incorporated in 2004. The company is engaged in manufacture of biscuits for Parle biscuits Pvt. Ltd. It was promoted by Mr. Balachandran and Mr. Balakrishnan and subsequently taken over by current management, Mr. Premchand and Ms. Sneha Premchand Arage in 2016.

### Analytical Approach

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

### Key Rating Drivers

#### Strengths

- **Experienced management and long term relationship with customers**

SBFPL is managed by Mr. Premchand Arage, Mr. Sanath Premchand Arage and Ms. Sneha Premchand Arage. Mr. Premchand (Managing Director) has more than one and a half decade of experience in the bakery industry. The company has maintained long term relationship with Parle Biscuits Pvt. Ltd. since incorporation.

- **Efficient working capital management**

SBFPL's working capital operations are managed prudently with Gross Current Assets (GCA) of 44 days in FY2017 compared to 40 days in FY2016. The debtor days stood at 20 days in FY2017 compared to 9 days in FY2016.

#### Weaknesses

- **Customer concentration risk**

SBFPL faces high customer concentration risk. The company's revenues are derived from 100 percent sale to Parle Biscuit Private Limited. The high customer concentration renders the company's revenue growth and profitability susceptible to the growth plans of its key customer, exposing the company to high customer concentration risk.

- **Project risk**

SBFPL has undergone capex to establish a new plant to manufacture rusk, which the company will sell under its own brand name. The total estimated cost of the project is Rs.6.70 crore which includes building (Rs.1.50 crore) and plant and machinery of (Rs.5.20 crore). The project funding includes a term loan of Rs.4.60 crore and balance by internal accruals generated from its operations. The project work is yet to commence. The company expects the additional facility to commence its operations by August 2018; any delay would impact the debt servicing ability of the company.

### Outlook: Stable

Acuite believes that SBFPL will maintain a 'Stable' business risk profile over the medium term. The company will continue to benefit from its experienced management and long term relationship with Parle Biscuits Pvt. Ltd. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while achieving sustained improvement in operating margins and capital structure. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues or profit margins, or in case of deterioration in the financial risk profile.

### About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	7.61	6.27	6.45
EBITDA	Rs. Cr.	2.38	2.36	2.86
PAT	Rs. Cr.	0.49	0.65	-0.25
EBITDA Margin	(%)	31.34	37.65	44.37
PAT Margin	(%)	6.43	10.35	-3.84
ROCE	(%)	14.48	18.09	-5.97
Total Debt/Tangible Net Worth	Times	1.93	1.28	2.32
PBDIT/Interest	Times	6.57	4.32	3.98
Total Debt/PBDIT	Times	2.62	1.50	1.72
Gross Current Assets (Days)	Days	44	40	50

### 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>
- 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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.95	ACUITE B+ / Stable (Assigned)
Term loans	Not Applicable	Not Applicable	Not Applicable	4.55	ACUITE B+ / Stable (Assigned)

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### About Acuité Ratings & Research:

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