

Press Release

Sunshine Bakery Foods Private Limited

September 17, 2018



Rating Assigned

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

* Refer Annexure for details

Rating Rationale

Acuité 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

Acuité 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

Acuité 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)

Contacts

Analytical	Rating Desk
Suman Chowdhury President - Rating Operations Tel: 022-67141107 suman.chowdhury@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in
Salome Farren Analyst - Rating Operations Tel: 022-67141164 salome.farren@acuite.ratings.in	

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.