



Press Release

Century Agro Foods

October 17, 2018

Rating Assigned

Total Bank Facilities Rated*	Rs. 13.28 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**) to the Rs. 13.28 crore bank facilities of CENTURY AGRO FOODS (CAF). The outlook is '**Stable**'.

Established in 2014, CAF is a Rajasthan-based proprietorship firm promoted by Mr. Suresh Kumar Saraf. The firm is engaged in processing of cashew nuts. The raw cashews are imported from country such as Dubai and the products are sold at Rajasthan, Uttar Pradesh and Madhya Pradesh. The firm has its manufacturing unit at Jaipur (Rajasthan) with an installed capacity of 300 metric tonnes per annum. The firm sales its product under the brand name 'My Nuts'.

Analytical Approach

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

Key Rating Drivers

Strengths

• Experienced management

CAF was established by Mr. Suresh Kumar Saraf in 2014, and has been engaged in processing of cashew nuts. In September 2018, the firm diversified its business to manufacturing of transformer parts such as radiators. CAF is a group company of Century Infrapower Private Limited which is engaged in manufacturing power and distribution transformers, electrical panels, among others since 2008.

Acuité believes that CAF will continue to benefit from its experienced management which will help the firm to maintain long standing relations with its customers and suppliers.

• Moderate financial risk profile

The financial risk profile is moderate marked by tangible net worth of Rs.7.65 crore as on 31 March, 2018 as against Rs. 6.36 crore in the previous year. The gearing stood low at 1.09 times as on 31 March, 2018 as against 2.41 times in the previous year. The total debt of Rs. 8.22 crore includes term loan from bank of Rs.1.28 crore, working capital borrowings of Rs.5.29 crore and unsecured loan of Rs.1.76 crore. Interest Coverage Ratio (ICR) stood at 1.40 times in FY2018 as against 1.36 times in FY2017. The total outside liabilities to tangible network (TOL/TNW) stood low at 1.29 times as on 31 March, 2018 as against 2.45 times in the previous year. The net cash accruals to total debt (NCA/TD) stood at 0.08 times in FY2018 compared to 0.05 times in FY2017.

Going forward, Acuité believes that the firm's ability to improve its network along with debt protection metrics will remain key sensitivity.

Weaknesses

• Working capital intensive operations

The firm's operations are working capital intensive marked by high Gross Current Asset (GCA) of 230 days in FY2018 as compared to 366 days in FY2017. The GCA days are mainly dominated by high inventory holding of 189 days in FY2018 compared to 331 days in FY2017. The collection period stood high at 53 days in FY2018 compared to 34 days in FY2017. Average cash credit utilisation stood at 50 percent.

Acuite believes that the efficient working capital management will be crucial to the firm in order to maintain a stable credit profile.

• Small scale of operations and fluctuating margins

CAF has small scale of operations marked by operating income of Rs. 16.68 crore in FY2018 as against Rs.14.63 crore in FY2017 and Rs.14.12 crore in FY2016. The firm has booked revenue of Rs.8.50 crore for April to August, 2018. Going forward, with new diversification in product line the firm holds an order book position of Rs. 2.50 crore. Further, the firm's operating margins have shown a fluctuating trend of 13.62 percent in FY2018 as against 18.09 percent in FY2017 and 14.80 percent in FY2016. The firm reported after Tax (PAT) margin of 0.71 percent in FY2018 against 1.00 percent in FY2017 and 0.99 percent in FY2016.

Acuite believes the firm's ability to register growth in revenue while maintaining adequate profitability will be key sensitivity factor.

Outlook: Stable

Acuite believes that CAF's outlook will remain 'Stable' and the firm will benefit over the medium term from its experienced management, and moderate financial risk profile. The outlook may be revised to 'Positive' in case of higher than expected growth in revenues while improving working capital cycle and maintaining profitability. The outlook may be revised to 'Negative' in case of steep decline in revenues and profitability or working capital requirements deteriorating financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	16.67	14.63	14.12
EBITDA	Rs. Cr.	2.27	2.65	0.00
PAT	Rs. Cr.	0.12	0.15	0.00
EBITDA Margin	(%)	13.62	18.09	14.80
PAT Margin	(%)	0.71	1.00	0.99
ROCE	(%)	9.21	9.47	12.81
Total Debt/Tangible Net Worth	Times	1.09	2.41	2.46
PBDIT/Interest	Times	1.40	1.36	1.65
Total Debt/PBDIT	Times	3.67	5.79	7.46
Gross Current Assets (Days)	Days	230	366	376

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>
- Financial Ratios And Adjustments -<https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities -<https://www.acuite.in/view-rating-criteria-4.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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE B / Stable (Assigned)
Term loans	Not Applicable	Not Applicable	Not Applicable	0.90	ACUITE B / Stable (Assigned)
Proposed Fund Based Facility	Not Applicable	Not Applicable	Not Applicable	0.38	ACUITE B / Stable (Assigned)

Contacts

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About Acuité Ratings & Research:

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