

Press Release

Soni Soya Products Limited

November 26, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 9.50 Cr.
Long Term Rating	ACUITE BB+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) to the Rs. 9.50 crore bank facilities of Soni Soya Products Limited (SSPL). The outlook is '**Stable**'.

Indore based, SSPL was incorporated in 2014 as Soni Soya Products Private Limited and converted its constitution to public limited company by issuing IPO in April 2018. It is engaged in the processing and trading of organic and non-genetically modified (Non-GMO) agricultural products such as Soya, Maize (Corn), Wheat, Flax Seeds, Mustard (Rapeseeds), Oil, Rice, Pulses, Herbs, Spices, and other grains. It has production capacity of 60-70 tonnes per day located at Meghnagar, Gujarat. The company has two wholly owned subsidiaries one in Africa (Soni Soya Products LDA) and the other in United States of America (Soni Soya Products LLP).

Analytical Approach

Acuité has consolidated the business and financial risk profile of SSPL and its subsidiaries- Soni soya products LDA and Soni soya products LLP to arrive at the rating. We had consolidated the financials on account of common management and wholly owned subsidiaries. Extent of Consolidation: Full.

Key Rating Drivers

Strengths

- **Experienced management**

The promoter of SSPL, Mr. Dilip Kumar Soni (Managing Director) has an experience of more than two decades in the agro-commodity industry. Mr. Javed Ali (Full-time Director) has an experience of eight years in the industry. Being backed by the experience, it has been able to establish long term relationship with its customers and suppliers.

- **Improving trend of revenues**

The revenue of the company has been increased to Rs.72.33 crore in FY 2018 from Rs.28.75 crore in FY2017 and Rs.15.00 crore in FY2016. It has grown at a CAGR of 119.59 percent during the review period. The company has registered revenue of Rs.70.00 crore till September 30, 2018 (provisional). It has healthy order book position of Rs.133.00 crore to be executed in a years' time which lends comfortable revenue visibility.

- **Prudent working capital management**

The company has efficient working capital management with Gross Current Assets (GCA) of 115 days in FY2018 comprising of inventory holding of 38 days and debtors of 64 days in FY2018. The average utilisation for the past 6 months till September 2018 stood at ~65 percent.

Weaknesses

- **Average financial risk profile**

SSPL has average financial risk profile marked by net worth of Rs. 6.20 crore as on 31 March, 2018 as compared to Rs. 3.03 crore as on 31 March, 2017. The gearing (debt to equity) stood at 1.68 times as on 31 March, 2018 and 31 March, 2017. Total outstanding liability to total net worth (TOL/TNW) stood at 3.29 times as on 31 March, 2018 against 4.09 times in the previous year. Net cash accruals to total debt (NCA/TD) stood low at 0.14 times as on March 31, 2018 and 0.12 times as on March 31, 2017. Interest Coverage Ratio (ICR) stood moderate at 3.07 times as on 31 March, 2018 as against 3.57 times in the previous year.

- **Agro climatic risk**

The company is exposed to fluctuations in the raw material prices (soya). Besides, being an agro product, the industry is dependent on the monsoon, crop yield, area under cultivation, minimum support price and other financial incentives announced by the government. Any change in the aforementioned things may interrupt the supply of soya bean and therefore, the prices.

Outlook: Stable

Acuité believes that SSPL's outlook will remain 'Stable' owing to the extensive experience of its promoters in the industry. The outlook may be revised to 'Positive' if the scale of operations increases substantially while improving profitability and capital structure. Conversely, the outlook may be revised to 'Negative' in case of steep decline in revenues, profitability or deterioration in the financial risk profile owing to higher-than-expected debt-funded capex or working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	72.33	28.75	15.00
EBITDA	Rs. Cr.	3.04	1.11	0.18
PAT	Rs. Cr.	1.34	0.51	0.12
EBITDA Margin	(%)	4.20	3.88	1.18
PAT Margin	(%)	1.85	1.79	0.80
ROCE	(%)	23.01	22.21	31.33
Total Debt/Tangible Net Worth	Times	1.68	1.68	0.96
PBDIT/Interest	Times	3.07	3.57	9.28
Total Debt/PBDIT	Times	3.46	4.45	2.83
Gross Current Assets (Days)	Days	115	167	101

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>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Up to 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
Overdraft	Not Applicable	Not Applicable	Not Applicable	9.50	ACUITE BB+ / Stable (Assigned)

*sublimit of packing credit for Rs. 6.00 crore.

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About Acuité Ratings & Research:

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