Press Release

Soni Soya Products Limited

June 24, 2019

Rating Reaffirmed and Assigned

Total Bank Facilities Rated*	Rs. 30.00 Cr. (Enhanced from Rs. 9.50 crore)
Long Term Rating	ACUITE BB+ / Outlook: Stable (Reaffirmed)

** Refer Annexure for details*

Rating Rationale

Acuité has reaffirmed and assigned the long-term rating of '**ACUITE BB+**' **(read as ACUITE double B plus)** to the Rs. 30.00 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, Madhya Pradesh. The company has a subsidiary in United States of America (Soni Soya Products LLC).

Analytical Approach

Acuité has considered the consolidated business and financial risk profile of SSPL and its subsidiary- Soni Soya Products LLC to arrive at the rating. The consolidation is done on account of common management and similar line of business. Extent of consolidation is 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**
  Within 5 years of operations, the company has been able to generate revenues of over Rs.200 crore. The revenue of the company has increased to Rs.214.76 crore in FY2019 from Rs.72.33 crore in FY2018 and Rs.28.75 crore in FY2017. It has grown at a CAGR of 173.31 percent during the review period. The revenues have grown significantly in FY2019 due to higher domestic sales while exports rose marginally. The company also exports to USA and Canada. It has healthy order book position of around Rs.125.00 crore to be executed in a year's time that lends comfortable revenue visibility.

- **Moderate financial risk profile**
  The financial risk profile SSPL is marked by moderate net worth, gearing and debt protection measures. The net worth stood at Rs. 13.11 crore as on 31 March, 2019 as against Rs. 6.20 crore as on 31 March, 2018. The increase in net worth is on account of infusion of funds during public issue and accretion to reserves. The gearing (debt to equity) improved to 1.25 times as on 31 March, 2019 against 1.68 times as on 31 March, 2018. Total outstanding liabilities to total net worth (TOL/TNW) stood at 3.20 times as on 31 March, 2019 against 3.30 times in the previous year. Net cash accruals to total debt (NCA/TD) stood low at 0.14 times as on March 31, 2019 and March 31, 2018. Interest Coverage Ratio (ICR) and Debt Service Coverage Ratio (DSCR) stood moderate at 2.66 and 2.01 times respectively as on 31 March, 2019.
  The company's working capital operations are well managed as evident by Gross Current Assets (GCA) of 82 days in FY2019 against 115 days in FY2018. GCA days have improved on account of better inventory management and faster collection of receivables. Acuité believes that the financial

risk profile of SSPL will continue to remain moderate over the medium term on account of its improving scale of operations, efficient working capital management and stable profitability.

Weaknesses

- **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.

- **Highly competitive and fragmented agro industry**
  The agro-commodities industry is highly competitive marked by presence of several organised and unorganised players and low entry barriers. This limits bargaining power with customers and thereby affects profitability.

Liquidity Position:

Liquidity of SSPL is marked by moderate net cash accruals of Rs.1-3 crore during the last two years. The cash accruals of the company are expected to improve with low repayment obligations over the near term. The company's incremental working capital requirements are estimated to remain in the range of Rs.5-10 crore over the medium term. The company's operations are well managed as marked by gross current asset (GCA) days of 82 in FY2019. Working capital borrowings in the company remained utilised at around 96 percent during the last 5 months ended April, 2019. The company maintains unencumbered cash and bank balances of Rs.0.88 crore as on March 31, 2019. The current ratio of the company stood moderate at 1.31 times as on March 31, 2019. Acuité believes that the liquidity of the company will remain comfortable over near to medium term on account of increasing net cash accruals, low repayment obligations and absence of any debt funded capex plans.

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	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	214.76	72.33	28.75
EBITDA	Rs. Cr.	5.46	3.04	1.11
PAT	Rs. Cr.	1.96	1.34	0.51
EBITDA Margin	(%)	2.54	4.20	3.88
PAT Margin	(%)	0.91	1.85	1.79
ROCE	(%)	20.22	23.01	22.21
Total Debt/Tangible Net Worth	Times	1.25	1.68	1.68
PBDIT/Interest	Times	2.66	3.07	3.57
Total Debt/PBDIT	Times	3.22	3.46	4.45
Gross Current Assets (Days)	Days	82	115	167

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
• Consolidation of Companies - https://www.acuite.in/view-rating-criteria-22.htm

Note on complexity levels of the rated instrument
https://www.acuite.in/criteria-complexity-levels.htm

Rating History (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
26-Nov-2018	Overdraft	Long Term	9.50	ACUITE BB+ / Stable (Assigned)

***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	12.00^	ACUITE BB+ / Stable (Reaffirmed)
Proposed Long Term Facility	Not Applicable	Not Applicable	Not Applicable	18.00	ACUITE BB+ / Stable (Assigned)

^sublimit of packing credit for Rs. 6.00 crore and letter of credit for Rs.12.00 crore.

Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in Rishabh Mundada Analyst - Rating Operations Tel: 022-49294051 rishabh.mundada@acuiteratings.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.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.