Press Release

Soni Soya Products Limited

December 27, 2019

Rating Reaffirmed and Assigned

Total Bank Facilities Rated*	Rs. 33.00 Cr. (Enhanced from Rs. 30.00 crore)
Long Term Rating	ACUITE BB+ / Outlook: Stable (Reaffirmed)
Short Term Rating	ACUITE A4+ (Assigned)

** Refer Annexure for details*

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE BB+**' **(read as ACUITE double B plus)** to the Rs. 28.00 crore bank facilities of SONI SOYA PRODUCTS LIMITED (SSPL). The outlook is **'Stable'**.

Acuité has assigned the short-term rating of '**ACUITE A4+**' **(read as ACUITE A four plus)** to the Rs.5.00 crore bank facilities of SSPL

Indore based, SSPL was incorporated in 2014 as Soni Soya Products Private Limited and was reconstituted as 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 standalone business and financial risk profiles of SSPL to arrive at this rating.

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.

- **Significant growth in revenues**
  The company has been able to generate revenues of over Rs.200 crore within 5 years of operations. 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. Further, the company has booked revenue of Rs.113.15 crore for the period April to September, 2019.

- **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. Further, the current year Indian crops have an approximate 40% damage due to heavy rains at the time of harvesting. This has resulted into hike in prices of Organic Soybeans.

- **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 limit bargaining power with customers and thereby affects profitability.

Rating Sensitivities

- Stretch in working capital cycle leading to increase in working capital borrowings.
- Maintaining scale of operations (~Rs. 230-Rs.250 crore) and profitability margin of around 4.00 to 5.5 percent over the medium term.

Material Covenants

None

Liquidity position: Adequate

Liquidity of SSPL is adequate marked by moderate net cash accruals of Rs.0.6-2.3 crore during the FY2017-19. 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 ~96 percent. 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 adequate 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)
Operating Income	Rs. Cr.	214.76	72.33
PAT	Rs. Cr.	1.96	1.34
PAT Margin	(%)	0.91	1.85
Total Debt/Tangible Net Worth	Times	1.25	1.68
PBDIT/Interest	Times	2.66	3.07

Status of non-cooperation with previous CRA (if applicable)
Not Applicable

Any other information
None

Applicable Criteria
- Default Recognition - https://www.acuite.in/view-rating-criteria-17.htm
- Manufacturing Entities - https://www.acuite.in/view-rating-criteria-59.htm
- Trading Entities - https://www.acuite.in/view-rating-criteria-6.htm
- Financial Ratios and Adjustments - https://www.acuite.in/view-rating-criteria-20.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 (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
24-Jun-2019	Secured Overdraft	Long Term	12.00	ACUITE BB+/Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	18.00	ACUITE BB+/Stable (Assigned)
26-Nov-2018	Secured Overdraft	Long Term	9.5	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
Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	12.00^	ACUITE BB+ / Stable (Reaffirmed)
Bill Discounting	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A4+ (Assigned)
Proposed Long Term Facility	Not Applicable	Not Applicable	Not Applicable	16.00	ACUITE BB+ / Stable (Reaffirmed)

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

Contacts

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