

**Press Release**  
**Sungold Processed Foods**

**October 07, 2022**



**Rating Assigned, Reaffirmed and Upgraded**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	1.30	ACUITE BB   Stable   Upgraded	-
Bank Loan Ratings	28.31	-	ACUITE A4+   Reaffirmed
Bank Loan Ratings	3.69	-	ACUITE A4+   Assigned
Total Outstanding Quantum (Rs. Cr)	33.30	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

**Rating Rationale**

Acuite has upgraded the long term rating to '**ACUITE BB**' (read as **ACUITE Double B**) from '**ACUITE BB-**' (read as **ACUITE Double B minus**) on Rs. 1.30 Cr bank facilities and reaffirmed the short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 28.31 crore bank facilities of Sungold Processed Foods (SPF). Further, it has assigned '**ACUITE A4+**' (read as **ACUITE A four plus**) on Rs. 3.69 Cr bank facilities of Sungold Processed Foods (SPF). The outlook is '**Stable**'.

**Reasons for Rating Upgrade**

The rating upgrade is on account of the improvement in operating and financial performance of Sungold Processed Foods. The operating income of the Firm improved to Rs. 62.47 Cr. in FY22(Prov.) as against Rs. 54.97 Cr. in FY21. The operating profitability improved to 14.73 percent in FY22(Prov.) as against 8.04 percent in FY21. The overall gearing improved to 0.64 times as on March 31, 2022 (Prov.) as against 1.93 times as on March 31, 2021. Going forward, sustaining the growth in scale of operations while maintaining the profitability margins and capital structure will be a key rating monitorable.

**About the Company**

Constituted in 2002, Andhra Pradesh based Sungold Processed Foods (SPF) is a partnership firm engaged in manufacturing & exporting of mango pulp. The manufacturing facility is located at Bangarupalyam in Chittoor, Andhra Pradesh, with an installed capacity of 7000 MT per annum. The firm is also engaged in processing of papaya on job work basis. The operations of the Firm are managed by its partners Mr. Abhishek Sashidharan and Ms. Geeta Sashidharan.

**Analytical Approach**

Acuite has considered the standalone business & financial risk profiles of SPF to arrive at the

ratings.

## Key Rating Drivers

### Strengths

#### > Experienced management and established track record of operations

SPF started operations in 2002 to manufacture and export mango pulp. The partners, Mr. Abhishek Sashidharan and Ms. Geeta Sashidharan have over a decade of experience in the industry. The extensive experience of the partners has helped the firm in maintaining good business relations with clients, majority of whom have been associated with the firm for more than a decade. SPF exports around 85-95 percent of its total sales primarily in the markets of Saudi Arabia, Switzerland, Kuwait etc. On the back of stable and repeated orders, the operating income of the firm increased to Rs. 62.47 Cr. in FY22 (Prov.) as against Rs. 54.97 Cr. in FY21. The operating margins stood at 14.73 percent in FY22 (Prov.) as against 8.04 percent in FY21.

Acuité believes that SPF will continue to benefit from the experience of its partners and established track record of operations in maintaining their business risk profile over the near to medium term.

### Weaknesses

#### > Modest financial risk profile

SPF's financial risk profile is modest, marked by low net worth, moderate gearing and comfortable debt protection metrics. The tangible net worth stood at Rs. 15.02 Cr as on March 31, 2022(Prov.) as against Rs.9.30 Cr as on March 31, 2021. The growth in net worth is on account of accretion of profits to reserves. The total debt stood at Rs. 9.65 Cr as on March 31, 2022(Prov.) as against Rs. 17.96 Cr. as on March 31, 2021. The overall gearing stood at 0.64 times as on March 31, 2022(Prov.) as against 1.93 times as on March 31, 2021. The Total outside liabilities to Tangible net worth (TOL/TNW) stood at 1.29 times as on March 31, 2022(Prov.) as against 2.66 times as on March 31, 2021. The debt protection metrics is moderate marked by interest coverage ratio (ICR) at 4.78 times as on March 31, 2022(Prov.) as against 3.17 times as on March 31, 2021. The net cash accruals to total debt (NCA/TD) stood at 0.75 times as on March 31, 2022(Prov.) as against 0.17 times as on March 31, 2021.

Acuité expects the financial risk profile to remain modest over the medium term in absence of any major debt-funded capex plan.

#### > Moderately working capital intensive nature of operations

SPF's operations are moderately working capital intensive marked by Gross current asset (GCA) days of 137 days as on March 31, 2022(Prov.) as against 158 days as on March 31, 2021. The inventory days stood at 23 days as on March 31, 2022(Prov.) as against 21 days as on March 31, 2021. The debtor days stood at 108 days as on March 31, 2022(Prov.) as against 138 days as on March 31, 2021. The creditor days stood at 85 days as on March 31, 2022(Prov.) as against 63 days as on March 31, 2021. The average utilization of the fund based bank limits of the firm ranged between 65-95 percent for last six months period ended August' 22. The utilisation is generally high during procurement season and moderates during non-peak season.

Acuité believes that the working capital management to remain moderately intensive over the medium term

#### > Exposed to foreign exchange fluctuations and seasonal nature of business

SPF's sales are through exports to Saudi Arabia, Switzerland, Yemen, Germany, Kuwait, etc., thus being exposed to fluctuations in foreign currency. The firm enters into forward contracts for hedging its exposure. On the other hand, operating in a seasonal industry, the raw materials are prone to price fluctuations. Moreover, the firm also remains vulnerable to agro-climatic risks since it deals with mangoes. Being seasonal, the prices of fruit pulp are vulnerable to the idiosyncrasies of nature. Hence, the ability of SPF to protect its profitability

and profit margins in case of any adverse or sharp fluctuations in the exchange rates or mango prices, shall be a key monitorable.

### Rating Sensitivities

- > Sustaining and Improving scale of operations while maintaining profitability margins
- > Elongation of working capital cycle
- > Deterioration in liquidity position

### Material covenants

None

### Liquidity Position: Adequate

The firm generated NCA of Rs. 7.28 Cr. in FY22 (Prov.) and Rs. 3.05 Cr in FY2021 as against maturing debt obligations of Rs.0.8-1 Cr during the same period. Going forward, the net cash accruals are expected to remain in the range of Rs. 7-8.Cr. in FY23-24 as against maturing debt obligations of Rs. 1-2 Cr. The company' GCA days stood at 137 days as on March 31, 2022 (Prov.). The current ratio of the firm stood at 1.70 times as on March 31, 2022(Prov.) as against 1.39 times as on March 31, 2021. The average utilisation of its fund based working capital facility ranged between 65-95 percent for last six months period ended August' 22. The utilisation is high during peak season and it is low during non-peak season. The unencumbered cash and bank balance stood at Rs. 0.71 Cr. as on March 31, 2022 (Prov.) as against Rs. 0.07 Cr. as on March 31, 2021. Acuite believes that the liquidity position would be adequate over the medium term on account of moderate cash accruals as against negligible repayment obligations.

### Outlook: Stable

Acuite believes that SPF will maintain a stable business risk profile over the medium term. The firm will continue to benefit from its established operations and long-standing relations with customers and suppliers. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected improvement in its scale of operations while maintain its profitability margins and capital structure. Conversely, the outlook may be revised to 'Negative' in case of a steep decline in the firm's revenue or profitability or significant deterioration in the capital structure and liquidity position.

### Other Factors affecting Rating

None

### Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	62.47	54.97
PAT	Rs. Cr.	6.14	1.70
PAT Margin	(%)	9.83	3.10
Total Debt/Tangible Net Worth	Times	0.64	1.93
PBDIT/Interest	Times	4.78	3.17

### Status of non-cooperation with previous CRA (if applicable)

None

### Any other information

None

### Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector:- <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

### Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
07 Dec 2021	Letter of Credit	Short Term	7.00	ACUITE A4+ (Reaffirmed)
	Term Loan	Long Term	2.61	ACUITE BB-   Stable (Reaffirmed)
	Packing Credit	Short Term	20.00	ACUITE A4+ (Reaffirmed)
22 Sep 2020	Letter of Credit	Short Term	7.00	ACUITE A4+ (Reaffirmed)
	Packing Credit	Short Term	20.00	ACUITE A4+ (Reaffirmed)
	Term Loan	Long Term	2.61	ACUITE BB-   Stable (Assigned)
02 Jul 2019	Letter of Credit	Short Term	6.00	ACUITE A4+ (Assigned)
	Packing Credit	Short Term	18.00	ACUITE A4+ (Assigned)
	Proposed Bank Facility	Short Term	2.00	ACUITE A4+ (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Union Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE A4+   Reaffirmed
Union Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A4+   Assigned
Union Bank of India	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	21.31	ACUITE A4+   Reaffirmed
Union Bank of India	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	2.69	ACUITE A4+   Assigned
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	1.30	ACUITE BB   Stable   Upgraded

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### About Acuité Ratings & Research

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