

Press Release
SUNGOLD PROCESSED FOODS
January 05, 2024
Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	1.30	ACUITE BB Stable Reaffirmed	-
Bank Loan Ratings	32.00	-	ACUITE A4+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	33.30	-	-

Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE BB**' (read as **ACUITE Double B**) and the short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 33.30 crore bank facilities of Sungold Processed Foods (SPF). The outlook is '**Stable**'.

Reasons for Reaffirmation

The rating reaffirmation is on account of stable operating performance and improvement in debt protection metrics of Sungold Processed Foods. The operating income of the firm improved to Rs. 66.38 Cr. in FY2023 as against Rs.62.47 Cr. in FY2022. The Interest Coverage ratio (ICR) improved significantly to 5.35 times in FY2023 as against 3.30 times in FY2022. The Debt Service Coverage Ratio (DSCR) stood at 3.21 times in FY2023 as against 1.23 times in FY2022. The rating also factors the experienced management and established track record of operations of the firm. However, the rating is constrained by working capital intensive nature of operations and exposed to foreign exchange fluctuations and seasonal nature of business. Going forward, improvement in scale of operations while maintaining the profitability margins and capital structure will be a key rating monitorable.

About the Firm

Constituted in 2002, Andhra Pradesh based Sungold Processed Foods (SPF) is a partnership firm engaged in processing & exporting of mango pulp. The manufacturing facility is located at Bangarupalyam in Chittoor, Andhra Pradesh, with an installed capacity of 10000 MT per annum. The firm is also engaged in processing of papaya and Guava on job work basis. The operations of the firm are managed by its partners Mr. Abhishek Sashidharan and Ms. Geeta Sashidharan.

Unsupported Rating

Not applicable

Analytical Approach

Acuite has considered the standalone business & financial risk profiles of Sungold Processed Foods (SPF) to arrive at the ratings.

Key Rating Drivers

Strengths

Experienced management and established track record of operations

SPF started operations in 2002. The firm is engaged in processing 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 95 percent of its total sales primarily in the markets of Saudi Arabia, Switzerland, Kuwait, Germany etc.

On the back of stable and repeated orders, the operating income of the firm increased to Rs.66.38 Cr. in FY2023 as against Rs.62.47 Cr. in FY2022. The operating margins stood at 12.51 percent in FY2023 as against 14.53 percent in FY2022. The PAT margin of the firm stood at 8.20 percent in FY2023 as against 7.95 percent in FY2022.

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.

Moderate Financial risk profile

SPF's financial risk profile is moderate, marked by low net worth, moderate gearing and comfortable debt protection metrics. The tangible net worth stood at Rs.9.30 Cr as on March 31, 2023. The company's total debt stood at Rs.19.39 Cr. as on March 31, 2023 includes long term loans of Rs.4.53 Cr., Short term debt of Rs.2.81 Cr, current maturities for the long portion of Rs.1.85 Cr and USL directors and promoters of Rs.10.20 Cr. The USL from directors and promoters includes Partner's current account of Rs.9.45 Cr. The firm's overall gearing stood at 2.08 times as on March 31, 2023 as against 1.56 times as on March 31, 2022. However, adjusted debt equity (adding back the partner's current account into equity) stood at 0.53 times as on March 31, 2023 as against 0.82 times as March 31, 2022. The Total outside liabilities to Tangible net worth (TOL/TNW) stood at 2.65 times as on March 31, 2023 as against 2.49 times as on March 31, 2022. The debt protection metrics is comfortable marked by Interest coverage ratio (ICR) at 5.35 times in FY2023 as against 3.30 times in FY2022. The Debt service coverage ratio (DSCR) stood at 3.21 times in FY2023 as against 1.23 times in FY2022. The net cash accruals to total debt (NCA/TD) stood at 0.36 times in FY2023 as against 0.44 times in FY2021.

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

Weaknesses

Working capital intensive nature of operations

SPF's operations are working capital intensive marked by Gross current asset (GCA) days of 134-136 days for the last two years ending March 31, 2023. The GCA days are mainly driven by debtor days. The debtor days stood high at 109 days as on March 31, 2023 as against Rs.112 days as on March 31, 2022. The inventory days stood to 9 days as on March 31, 2023 as against 21 days as on March 31, 2022. The creditor days improved and stood at 42 days as on March 31, 2023 as against 76 days as on March 31, 2022. The average utilization of the fund based bank limits of the firm stood at 71.1 percent for last twelve months period ended October 2023. The utilisation is generally high during procurement season and moderates during non-peak season.

Acuite believes that the working capital management to remain intensive in nature 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. On the other hand, operating in a seasonal industry, the raw materials are prone to price fluctuations. Moreover, the firm also remains vulnerable to agroclimatic 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.

Liquidity: Adequate

The firm has adequate cash accruals against its debt obligations. It has generated NCA of Rs.6.97 Cr. in FY2023 against its debt obligation of Rs.1.85 Cr during the same period. Going forward, the net cash accruals are expected to remain in the range of Rs.7.50 – 8.06 Cr. in FY24-25 as against maturing debt obligations of Rs.1.76- 1.68 Cr. The current ratio of the firm stood at 2.44 times as on March 31, 2023. The average utilisation of its fund based working capital facility stood moderate at 71.1 percent for the last twelve months ended October, 2023. The unencumbered cash and bank balance stood at Rs.2.24 Cr. as on March 31, 2023. 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 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	66.38	62.47
PAT	Rs. Cr.	5.44	4.96
PAT Margin	(%)	8.20	7.95
Total Debt/Tangible Net Worth	Times	2.08	1.56
PBDIT/Interest	Times	5.35	3.30

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-52.htm>
- Entities In Manufacturing Sector:- <https://www.acuite.in/view-rating-criteria-59.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
07 Oct 2022	Term Loan	Long Term	1.30	ACUITE BB Stable (Upgraded from ACUITE BB- Stable)
	Letter of Credit	Short Term	1.00	ACUITE A4+ (Assigned)
	Packing Credit	Short Term	2.69	ACUITE A4+ (Assigned)
	Packing Credit	Short Term	21.31	ACUITE A4+ (Reaffirmed)
	Letter of Credit	Short Term	7.00	ACUITE A4+ (Reaffirmed)
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)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Union Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	8.00	ACUITE A4+ Reaffirmed
Union Bank of India	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	Simple	24.00	ACUITE A4+ Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	1.30	ACUITE BB Stable Reaffirmed

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in Thejaswini P V Senior Analyst-Rating Operations Tel: 022-49294065 thejaswini.pv@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, Mumbai.

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