

Press Release

Sumran Agro Private Limited

August 29, 2019



Rating Assigned

Total Bank Facilities Rated*	Rs. 25.00 Cr.
Long Term Rating	ACUITE BB-/ Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned the long-term rating of '**ACUITE BB-**' (**read as ACUITE double B minus**) to Rs. 25.00 crore bank facilities of SUMRAN AGRO PRIVATE LIMITED (SAPL). The outlook is '**Stable**'.

Incorporated in 2000, SAPL is a Kolkata based company promoted by, Mr. Pradeep Kumar Agarwal and Ms. Dipti Agarwal. Currently, the company is managed by Mr. Pradeep Kumar Agarwal, Ms. Dipti Agarwal and Ms. Shalini Agarwal. SAPL is engaged in wholesale and retail trading of tea (Orthodox, CTC and black tea). SAPL mainly blends and add flavours to the tea, according to the requirements of the customers. The company procures tea through auction and majorly exports to several countries such as Iran, Russia and Middle-East.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of SAPL to arrive at this rating.

Key Rating Drivers

Strengths

- **Experienced management resulting in steady growth in revenue**

The key promoter of the company, Mr. Pradeep Kumar Agarwal has more than two decades of experience by virtue of his prior employment in the same line of business, since he himself is a tea tester. Moreover, SAPL started with its operations in 2000 and has presence in the industry for almost two decades and has been able to build a strong reputation and relationship with its customers in the industry over the years.

Furthermore, SAPL posted steady growth in its revenue from Rs. 14.30 crore in FY2017 to Rs. 109.16 crore in FY2018 and Rs. 121.18 crore in FY2019(Provisional), thereby achieving a healthy compounded annual growth rate (CAGR) of 103.88 per cent from FY2017 to FY2019 (provisional). This is mainly on account of acquiring new customers by diversifying in the international market such as Iran, Russia and Middle-East in the recent years. The company could explore the international market only in the recent years since it received the license for the same recently.

- **Above average financial risk profile**

The financial risk profile of the company is comfortable marked by moderate net worth, low gearing and healthy debt protection metrics. The tangible net worth stood at Rs. 45.44 crore as on 31 March, 2019(Provisional) as compared to Rs. 44.45 crore as on 31 March, 2018 on account of accretion to reserves. The gearing stood low at 0.07 times as on 31 March, 2019 (Provisional) as against 0.01 times as on 31 March, 2018, although this is a year-end phenomenon due to seasonality faced by the industry. The total debt of Rs. 3.15 crore as on 31 March, 2019 (Provisional) consists of unsecured loan only as on March 31, 2019 (P). The interest coverage ratio stood moderate at 3.62 times in March 31, 2019 (Provisional) compared to 4.83 times in March 31, 2018 respectively. The NCA/TD and TOL/TNW stood at 0.34 times and 0.11 times in FY2019 (Provisional) compared to 2.05 times and 0.04 times in March 31, 2018, respectively.

Weaknesses

- **Working capital intensive nature of operation**

SAPL has working capital intensive nature of operations marked by high GCA days of 129 days in FY2019 (Provisional) as against 130 days in FY2018. The high GCA days are mainly dominated by debtor days and other current assets. The debtor days stood high at 78 days in FY2019 (Provisional) as against at 46 days in FY2018. This is mainly on account of high credit period given to the foreign customers. The other current asset stood at Rs. 6.89 crore as on March 31, 2019 (Provisional), which mainly consist of balance with government authorities, other receivable and recoveries and others.

- **Thin profitability margin**

The operating margin of the company stood low at 0.32 per cent in FY2018 to 1.18 per cent in FY2019 (Provisional). The low operating margin was mainly due to volatility in raw material prices and high cost. The PAT margin also stood low at 0.67 per cent in FY2018 as compared to 0.82 per cent in FY2019 (Prov.). The company also faces competition from other tea traders with the presence of a large number of organised and unorganised players.

Liquidity Position

SAPL's liquidity profile is adequate marked by modest net cash accruals as against no major maturing debt obligations. The company generated cash accruals of Rs. 0.33-1.06 crore during the last three years through 2017-2019(P) against no maturing long term debt obligations. The bank limit utilisation stood at 41 per cent for 12 months ended June 2019. The company maintains unencumbered cash and bank balances of Rs. 0.42 crore as on March 31, 2019 (P). The current ratio of the company stood strong at 25.62 times as on March 31, 2019 (P). Acuite believes that the liquidity of the company is likely to remain adequate over the medium term on account of modest cash accrual and no major repayments over the medium term.

Outlook: Stable

Acuite believes that the outlook of SAPL will remain 'Stable' over the medium term backed by the long track record of operations. The outlook may be revised to 'Positive' in case the company registers improvement in working capital cycle along with sustenance of its financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile and stretched working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY19 (Prov.)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	121.18	109.16	14.30
EBITDA	Rs. Cr.	1.43	0.35	(0.36)
PAT	Rs. Cr.	1.00	0.73	0.28
EBITDA Margin	(%)	1.18	0.32	(2.54)
PAT Margin	(%)	0.82	0.67	1.96
ROCE	(%)	4.13	2.85	2.60
Total Debt/Tangible Net Worth	Times	0.07	0.01	0.01
PBDIT/Interest	Times	3.62	4.83	3.62
Total Debt/PBDIT	Times	1.58	0.29	0.63
Gross Current Assets (Days)	Days	129	130	1011

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-17.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 (Upto 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
Bank Overdraft*	Not Applicable	Not Applicable	Not Applicable	2.75	ACUITE BB-/ Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	22.25	ACUITE BB-/ Stable

*Pre-shipment credit: sublimit of Cash credit of Rs. 2.75 Crore

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About Acuité Ratings & Research:

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