

Press Release

Sumran Agro Private Limited

July 15, 2022



Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	25.00	ACUITE BB Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	25.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE BB**' (read as **ACUITE double B**) on the Rs.25.00 crore bank facilities of Sumran Agro Private Limited (SAPL). The outlook remains '**Stable**'.

The rating of SAPL factors the steady business risk profile of the company. The rating also takes into account the long standing operations, experienced management and the above average financial risk profile of the company. These strengths are, however, offset by the company's working capital intensive nature of operations and the competitive industry.

About the Company

Incorporated in 2000, Sumran Agro Private Limited, is based in Kolkata. The company is engaged in the wholesale and retail trading of tea. The company is promoted by Mr. Pradeep Kumar Agarwal, Ms. Dipti Agarwal and Ms. Shalini Agarwal. SAPL is engaged in blending and adding flavour to the tea as per the requirements of the customers. The company procures tea through auction and private purchases and majorly exports to Iran and Russia.

Analytical Approach

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

Key Rating Drivers

Strengths

- Long standing operations and experienced management

SAPL has a long track record of operations spanning more than twenty years. The management of the company has an extensive experience of more than two decades in the tea industry. Acuite believes that going forward, the company's presence in the market and the experience of the management will continue to aid the performance of the company.

• Above average financial risk profile

The above average financial risk profile of the company is marked by moderate albeit improving net worth, comfortable gearing and healthy debt protection metrics. The tangible net worth of the company increased to Rs.48.64 Cr (estimated) as on March 31, 2022 from Rs.47.49 Cr as on March 31, 2021 due to accretion to reserves. Gearing of the company stood comfortable at 0.25 times (estimated) as on March 31, 2022 as against 0.37 times as on March 31, 2021, whereas, Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood comfortable at 0.40 times (estimated) as on March 31, 2022 as against 0.44 times as on March 31, 2021. The healthy debt protection metrics is marked by Interest Coverage Ratio at 2.18 times (estimated) as on March 31, 2022 and Debt Service Coverage Ratio at 1.98 times (estimated) as on March 31, 2022. Net Cash Accruals/Total Debt (NCA/TD) stood low at 0.13 times (estimated) as on March 31, 2022. Acuité believes that going forward, the financial risk profile will remain above average over the medium term, in absence of any major debt funded capex plans.

Weaknesses

• Working capital intensive nature of operations

The company's working capital intensive nature of operations is marked by Gross Current Assets (GCA) of 224 days (estimated) as on March 31, 2022 as compared to 285 days in 31st March 2021. The GCA days are high on account of high debtor period during the same period. The debtor period stood at 130 days (estimated) as on March 31, 2022 as compared to 102 days as on 31st March 2021 due to the extended credit period provided to the clientele. However, the inventory period stood at 81 days (estimated) as on March 31, 2022 as compared to 117 days as on 31st March 2021 due to purchasing and stocking up of tea in the buying season. Acuité believes that the working capital operations of the company will remain at same level as evident from the extended collection mechanism over the medium term.

• Volatile tea prices and agro climatic risk

The prices of tea are linked to the auctioned prices and further to prices of tea in the international market. Significant price movements in the international market may affect the company's profitability margins. Further, tea prices fluctuate widely with demand-supply imbalances in the domestic and international market. While demand has a strong growth rate, supply can vary depending on climatic conditions in the major tea growing countries. Unlike other commodities, tea price cycles have no linkage with the general economic cycles, but with agro-climatic conditions.

• Susceptibility to forex fluctuation risk

SAPL exports tea to the international market and a major part of revenue comes from exports; hence the company has substantial exposure to foreign exchange fluctuation risk.

Rating Sensitivities

- Improvement in scale of operations along with increase in the profitability margins
- Sustenance of the capital structure
- Elongation in working capital cycle

Material covenants

None

Liquidity Position: Adequate

The company's liquidity is adequate marked by steady net cash accruals of Rs.1.57 Cr (estimated) as on March 31, 2022 against no long term debt repayment for the same period.

The company has availed loan moratorium. The fund based limit of the company is moderately utilized at 76 per cent over the six months ended March, 2022. The cash and bank balances of the company stood at Rs.0.40 Cr (estimated) as on March 31, 2022. The current ratio stood at 3.15 times (estimated) as on March 31, 2022 as compared to 16.10 times as on March 31, 2021. However, the working capital management of the company is intensive in nature marked by Gross Current Assets (GCA) of 224 days (estimated) as on March 31, 2022 as compared to 285 days in 31st March 2021. Acuité believes that going forward the group will maintain adequate liquidity position due to steady accruals.

Outlook: Stable

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

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	66.58	127.98
PAT	Rs. Cr.	0.68	1.37
PAT Margin	(%)	1.02	1.07
Total Debt/Tangible Net Worth	Times	0.37	0.35
PBDIT/Interest	Times	3.72	2.19

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entitle: <https://www.acuite.in/view-rating-criteria-61.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
13 Nov 2020	Proposed Bank Facility	Long Term	10.24	ACUITE BB Stable (Upgraded from ACUITE BB- Stable)
	Secured Overdraft	Long Term	2.76	ACUITE BB Stable (Upgraded from ACUITE BB- Stable)
	Cash Credit	Long Term	12.00	ACUITE BB Stable (Assigned)
29 Aug 2019	Proposed Bank Facility	Long Term	22.25	ACUITE BB- Stable (Assigned)
	Secured Overdraft	Long Term	2.75	ACUITE BB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	22.00	ACUITE BB Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BB Stable Reaffirmed

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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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