



Press Release
SUNBRIDGE AGRO PRIVATE LIMITED
August 23, 2023
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	130.00	ACUITE BBB- Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	130.00	-	-

Rating Rationale

ACUITE has assigned its long term rating of **ACUITE BBB- (read as ACUITE triple B minus)** on the bank facilities of Rs.130 Crore of Sunbridge Agro Private Limited (SAPL). The outlook is 'Stable'.

Rationale for rating

The rating assigned derives its strength from the experienced management who are into this business through their other group companies for almost 7 years and are having a healthy relationship in the markets with both suppliers as well as customers. Further, the rating factors in top-line achieved of Rs 1022.26 Cr in FY 2023 (Prov) in its first year of operation. The rating also considers the support extended by promoters to fund the ongoing capex of company of setting up 800 MT per day edible oil processing unit without any debt resulting in a moderate financial risk profile with debt/equity of 1.69 times as on March 31, 2023 (Prov). However, the above mentioned strengths are constrained by working capital intensive nature of operations with GCA days of 117 days in FY 2023 (Prov) and susceptibility of profitability to fluctuation in raw material prices.

About the Company

Sunbridge Agro Private Limited was incorporated in 2022, It is a company limited by shares, having registered office in Noida, Uttar Pradesh. It has refinery of edible oils with the capacity of 800 MT per day at Plot No. 01, Survey No 546, Bhimasar, Kachchh, Gujarat, 370240. The director of the company are Mr. Akshay Mittal and Mr. Anuj Kumar Agarwal.

Analytical Approach

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

Key Rating Drivers

Strengths

Experienced management

SAPL was incorporated in 2022 and is run by an experienced management who are running companies with a similar line of business. The company is into the manufacturing and trading of edible oils. In FY 2023, company has run a leased manufacturing units for July to Oct 2022 for edible oils, however due to pollution issues in NCR lease has been terminated. The company has done a capex for setting up the edible oil processing unit with the capacity of 800MT per day which will be operational by end of August 2023. The promoters of the company are Mr. Akshay Mittal and Mr. Anuj Kumar Aggarwal. With the expertise and experience in industry gained over the years by management, will help the company to

flourish in coming years. The promoters of the company have existing presence in the industry through group company i.e., *Hydrise Foods Private Limited*. Acuite believes that going ahead,

the promoter's experience would continue to support SAPL's growth.

Operational Performance

The company has achieved a turnover of Rs.1022.26 Crore in FY23 (Prov) with the majority of 75% of revenue thorough trading and rest 25% through manufacturing. The revenue from manufacturing in FY23 is through refinery of edible oil with capacity of 700 MT per day which was on long term lease of 9 years from the company Aadroit Indulgence Pvt Ltd located at Pilkhuwa, Uttar Pradesh, which was functional from July 2022 to Oct 2022. However, that lease was terminated due to environmental concerns and company could not continue with it. Further, SAPL is on the final stage of installation of refinery of edible oil with the capacity of 800 MT per day at Kandla, Gujrat which is expected to start from the end of August 2023. Further, the EBITDA margin of the company which stood at 2.03% in FY23 also consist the portion of manufacturing operations. Going forward, the company is expecting 60% of revenue from manufacturing and 40% from Trading operations. The EBITDA margins of the company are expected to be around 4-5% from manufacturing operations and 2% from Trading operations. Acuité believes that the scale of operations of the company is likely to show improvement over the medium term on an account of optimum utilisation of its processing facility.

Moderate Financial Risk Profile

The financial risk profile of the company is moderate marked by modest net-worth, moderate gearing and healthy debt protection metrics. The net-worth of company stood at Rs.76.67 Crore as on 31st March 2023 (Prov). However, the net worth of the company is expected to improve in the near term on account of infusion of funds from the promoters in the form of equity. The gearing ratio of the company stood at 1.69 times as on 31st March 2023 (Prov) on an account of almost full utilization of short term borrowings and low net worth. The total short term debt of the company stood at Rs.129.60 Crore as on 31st March 2023 (Prov) and is estimated to increase in the near term on an account of growth in revenue, additional limits will be availed by company . Currently, the capital expenditure related to refinery of edible oil is on the final stage, which was entirely funded through promoter's fund. The debt protection metrics of the company remain comfortable with interest coverage ratio of the company stood at 3.11 times and DSCR stood at 2.75 as on 31st March 2023 (Prov). Acuité believes that the financial risk profile of the company may continue to remain moderate on account of company's plan for additional short term limits and high reliance towards short term borrowings over the medium term.

Weaknesses

Working capital intensive Operations

The working capital operations of the company are intensive marked by GCA days which stood at 117 days as on 31st March 2023 (Prov). The debtor and inventory days of the company stood at 70 days and 45 days respectively as on 31st March 2023 (Prov). On the other hand, the creditor days of the company stood at 39 days as on 31st March 2023 (Prov). Going forward, the company is expected to decrease the credit period allowed because the payments will be made in advance in medium term. Acuité believes that the working capital operations are likely to remain intensive in the medium-term.

Susceptibility to fluctuations in agro-based raw material price

Operations are exposed to the inherent risks associated with the agriculture based commodity business, such as availability of raw materials, fluctuations in prices, and changes in government regulations. The prices of crude edible oil are volatile in nature hence the profitability is highly susceptible to the ability of the company to pass on the same to its customers. Further, the demand-supply of vegetable oil and is affected by change in regulations in exporting and importing countries.

Rating Sensitivities

- Significant improvement in scale of operations while sustaining its profitability margins and

- financial risk profile.
- Sharp fluctuation in prices of raw material

Material covenants

None

Liquidity Position

Adequate

The Liquidity profile of the company is adequate. The company has generated net cash accruals of Rs.11.67 Crore in FY23 against no debt repayment obligation in the same period. Going forward, the company is expected to generate enough net cash accruals against the debt repayment obligations in near future. Further, the current ratio of the company stood at 1.32 times as on 31st March 2023 (Prov). The average bank limit utilization of the company stood at 79.10% in last 12 months ending June 2023

Outlook: Stable

Acuité believes that SAPL would maintain 'Stable' outlook on the back of experienced management, healthy revenue growth and timely support from the promoters through equity infusion. The outlook may be revised to 'Positive' in case the company reports better than expected improvement in the revenue and operating margins. Conversely, the outlook may be revised to 'Negative' in case the company reports lower than expected revenue, or any further stretch in the working capital utilisation thereby affecting its liquidity.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	1022.26	0.00
PAT	Rs. Cr.	11.67	0.00
PAT Margin	(%)	1.14	0.00
Total Debt/Tangible Net Worth	Times	1.69	0.00
PBDIT/Interest	Times	3.11	0.00

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>
- Entities In Manufacturing Sector:- <https://www.acuite.in/view-rating-criteria-59.htm>
- Trading Entity: <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

In order to inform the investors about complexity of instruments, Acuite 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 :

None

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	130.00	ACUITE BBB- Stable Assigned

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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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