Press Release
WHITE GOLD AGRO PRODUCTS
January 22, 2024
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Shc R
Bank Loan Ratings	25.95	ACUITE B+ | Stable | Assigned	-
Total Outstanding Quantum (Rs. Cr)	25.95	-	-

Rating Rationale
Acuite has assigned its long-term rating of '**ACUITE B+' (read as ACUITE B plus)** on the Rs.25.95 Cr bank facilities of White Gold Agro Products (WGAP). The outlook is '**Stable'.**

Rationale for rating
The rating factors in the inexperience of the partners in the sugar industry along with the nascent stage of operations of the firm. The rating also remains constrained by below average financial risk profile of the firm marked by weak debt protection metrics. The ratings also reflect WGAP's cyclicality associated with sugar business; risks get amplified by dependence on monsoon, working capital intensive operations and stretched liquidity. These weaknesses are partly offset by expected improvement in the scale of operations over the medium term and resourcefulness of the partners in terms of capital infusion.

About the Company
Established in 2019, White Gold Agro Products (WGAP), is involved in the manufacturing of sugar, molasses and their by-products. The commercial production was started in December 2022. Its manufacturing plant is located at Hojai, Assam. The firm has a total installed capacity of 1,50,000 MTPA of crane crushing. The partners of the firm are Mr. Deepak Kayal, Mr. Manoj Kumar Kayal, Mr. Rohit Kumar Agarwalla and Vinita Agarwalla.

Unsupported Rating
Not applicable

Analytical Approach
Acuite has considered the standalone business and financial risk profile of WGAP to arrive at the rating.

Key Rating Drivers

Strengths
Modest scale of operations with expected improvement over the medium term
With commercial production started in December'22 and sugar being a seasonal industry where the raw material (sugarcane) procurement and sugar cane crushing starts from October, the firm was able to achieve Rs.4.09 Cr in FY23. Further, the firm has achieved Rs.4.95 Cr in Apr'23-Dec'23 and is expected to register a revenue of ~Rs.10.00 Cr as the maximum production and sales happen in the Q3 and Q4 of financial year.

The firm being in its nascent stage, has incurred operating and net losses in FY23. However, in Apr'23-Dec'23 the company has been able to report an EBITDA margin of 25.69 per cent, however due high interest cost and depreciation the company is expected to report a net loss in FY24, which is likely to turn into net profits in the subsequent years.

Weaknesses

Nascent stage of operations and lack of experience of the partners in the sugar industry

The firm is in its nascent stage of operations as the commercial production was started since December'22. Further, the partners do not have relevant experience in the sugar industry. However, the partners have varied experience and have been running successful business in diversified portfolio.

Below average financial risk profile

The firm's financial risk profile is weak marked by moderate networth base, moderate gearing and weak debt protection metrics. The tangible net worth of the company increased to Rs.22.67 Cr as on March 31, 2023 from Rs.20.93 Cr as on March 31, 2022 due to infusion of capital by partners. Gearing of the firm stood at 1.22 times as on March 31, 2023 and is expected to remain almost at similar levels in the near to medium term. However, the weak debt protection metrics is marked by Interest coverage Ratio of (-)1.67 times and Debt Service Coverage Ratio at (-) 0.61 times as on March 31, 2023. The coverage indicators are likely to remain weak in the near term and any improvements in the debt coverage metrics is expected to be seen since FY25. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.23 times as on March 31, 2023 as against 1.39 times as on March 31, 2022. The Net Cash Accruals/Total Debt (NCA/TD) stood at (-) 0.05 times as on March 31, 2023

Acuité believes that going forward the financial risk profile of the company is likely to be sustained backed by steady accruals and no major debt funded capex plans.

Working capital intensive nature of operations

The firm has a working capital intensive nature of operations marked by high GCA days of 1007 days in FY23 on account of high "other current assets". The inventory days stood at 60 days in FY23 and the company was operational only for 3 months in the financial year 2023. The debtor period stood at 40 days in FY23. Since, the firm has recently started its operations, they provide extended credit term to customers, which is expected to improve going forward. The company generally procures the raw material, i.e, sugarcane on advance payment basis.

Acuite believes that since the firm is in its nascent stage of operations, the stabilisation in the inventory and debtor period would remain a key rating monitorable.

Cyclicality associated with sugar business; risks get amplified by dependence on monsoon

Cane production is highly dependent on the monsoons and realisations in alternative crops such as rice and wheat, which may prompt farmers to switch to sowing other crops. Also, the cane availability is restricted to the command area allocated to each company. In India, alternative sweeteners to sugar are gur and khandsari. Lower sugarcane yields and an increase in the sale of sugarcane to gur and khandsari manufacturers may lead to decrease in sugar production. NSL's profitability, mainly of its sugar segment, remains vulnerable to material changes based on the regulatory changes in the sugar/sugar syrup industry. Any change in the regulatory stance and continuation of government support to sugar sector are key monitorable.

Rating Sensitivities

- Timely stabilsation of the operations
- Significant improvement in the scale of operations and profitability margins.
- Further elongation of working capital cycle and liquidity position.

Liquidity Position

Stretched

The firm's liquidity is stretched marked by Net Cash Accruals of (-) Rs.1.49 Cr as on March 31, 2023 as again current maturities of long-term debt of Rs.0.80 Cr. Further, the firm's liquidity is expected to remain stretched in the near term as the firm is yet to break even. The liquidity is

expected to improve over the medium term once the operations stabilise, and the firm would be in a position to generate comfortable net cash accruals. However, the fund-based limits remained moderately utilised at 82.54 per cent for the last six months ended October'23. Further, the current ratio stood comfortable at 2.55 times as on March 31, 2023, however expected to moderate over the medium term. The cash and bank balance stood at Rs.0.17 Cr as on March 31, 2023. Moreover, the working capital intensive nature of operations of the firm is marked by GCA days of 1007 days in FY2023 which is likely to improve going forward.
Acuité believes that going forward the firm is likely to maintain adequate liquidity position over the medium term once the business stabilises and the firm is able to generate steady accruals.

Outlook: Stable

Acuité believes that the outlook on WGAP will remain 'Stable' over the medium term on account of its expected improvement in the scale of operations. The outlook may be revised to 'Positive' in case the company registers any significant improvement in its scale of operations or profitability margins or working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the liquidity position or further deterioration in the profitability margins or deterioration in its working capital cycle.

Other Factors affecting Rating

None.

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	4.09	0.00
PAT	Rs. Cr.	(4.27)	0.00
PAT Margin	(%)	(104.20)	0.00
Total Debt/Tangible Net Worth	Times	1.22	1.25
PBDIT/Interest	Times	(1.67)	0.00

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

Brickworks vide its press release dated 6th March 2023, had downgraded the company to BWR B+/Stable; Issuer Not Cooperating.

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

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 :

Not applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Axis Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	3.00	ACUITE B+ | Stable | Assigned
North Eastern Development Finance Corporation Ltd.	Not Applicable	Term Loan	Not available	Not available	31 Dec 2028	Simple	22.95	ACUITE B+ | Stable | Assigned

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About Acuité Ratings & Research

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