Rating Rationale

SUS AGRO FOODS INDIA PRIVATE LIMITED

08 Jan 2019

Brickwork Ratings assigns the ratings for the bank loan facilities of SUS Agro Foods India Private Limited.

Particulars:

Facility Rated	Amount (Rs. Crs)	Tenure	Assigned rating*
Fund Based Cash Credit Limit Term Loan (O.S)	 4.50 8.80	Long Term	**BWR BB-** (Pronounced as BWR Double B Minus) Outlook- Stable
Non Fund Based Bank Guarantee	1.00	Short Term	**BWR A4** (Pronounced as BWR Single A Four)
Total	**Rs 14.30 Crores (INR Fourteen Crores & Thirty Lakhs Only)**		

* Please refer to BWR website www.brickworkratings.com/ for definition of the ratings.

Rating Assigned:

BWR has assigned Long Term Rating of BWR BB- *(Outlook: Stable)* and Short Term Rating of BWR A4 for the bank loan facilities of SUS Agro Foods India Private Limited. ('the Company')

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the company's audited financial results upto FY18, and publicly available information and information/clarifications provided by the company's management.

The rating draws strength from the experienced promoters and established track record of business, continuous growth in revenues, moderate profitability margins, and Moderate Debt Service Indicators. However, the rating is constrained by high gearing, small scale of operations and low current ratio. Going forward, ability of the firm to improve its scale of operations, improve its gearing and manage its profitability would be the key rating sensitivities.

Description of Key Rating Drivers:

Credit Strengths:

1. **Experienced Promoters and Established track record of business :** The company has established track record of more than five years in the business. Mr Sanjeev Arora has experience of more than ten years in the same line of business.
2. **Consistent Increase in Revenues Y-O-Y :** The company revenues has increased Y-O-Y from Rs 16.39 crs in FY16 to Rs 27.46 crores in FY17 and further improves to Rs 28.51 crores in FY18. The company has achieved revenues of Rs 24.00 crores till December 18 and Projected to achieve revenues of Rs 35.88 crores in FY19.
3. **Moderate Profitability Margins** : The company has moderate profitability margins with Net Profit Margins of 1.94% and Operating Profit Margins of 11.29% in FY18.
4. **Moderate Debt Service Indicators :** The company has moderate Debt Service Indicators with Interest Service Coverage Ratio of 2.07 times and Debt Service Coverage Ratio of 0.97 times in FY18.

Credit Weakness:

1. **High Gearing :** High gearing ratio has observed with TOL/TNW of 3.28x in FY18 due to high borrowings and low net worth.
2. **Small Scale of Operations :** The company has small scale of operations with revenues of Rs 28.51 crores and PAT of Rs 0.55 crores in FY18.
3. **Low Current Ratio :** The firm has low current ratio of 1.07 times in FY18.

Analytical Approach:

BWR has factored in the standalone business parameters and financial risk profile of the Firm to arrive at the rating. Reference may be made to the Rating Criteria hyperlinked below.

Support from Holding/Subsidiary Firm:

SUS Agro Foods India Private Limited has associated concern with the name of Vishwas Milk Products Private Limited.wherein shareholder of the company possess 95% of shareholding in associate concern. As such there is no support from associate concern.

Liquidity

The firm has liquid investments include fixed deposits of Rs 0.67 crores and Cash & bank balances were Rs. 2.08 Cr as on March 31 2018. Current ratio was at 1.07 times. Average working capital utilization for the six months period (May 2018 to Oct 2018) is 100%. The company has current maturities of long term debt of Rs 1.91 crores in FY19. The average receivable cycle is at 141 days due to high inventory level. The Company has moderate debt protection metrics as seen by ISCR & DSCR at 2.07 times and 0.97 times respectively as on March 31 2018.

Rating Outlook: Stable

BWR believes the SUS Agro Foods India Private Limited business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

SUS Agro Foods India Private Limited , established in 2014 is a Kathua Based company and are engaged in manufacture of dairy products such as ghee, whole milk powder and skimmed milk powder along with curd, paneer and butter. The company is currently managed by Mr Sanjeev Arora and Mrs Upasana Arora.

Company's Financial Performance:

Total operating income (TOI) of the Company has improved from Rs 27.46 Cr in FY17 to Rs 28.51 Cr. in FY18. PAT has improved from Rs 0.31 Cr in FY17 to Rs. 0.55 Cr in FY18.

Key Financial Ratios:

	Units	FY18 (A)	FY17(A)
Net Sales/Revenues	Rs in C r	28.51	27.46
EBITDA	Rs in Cr	3.22	2.54
PAT	Rs in Cr	0.55	0.31
Tangible Net Worth	Rs in Cr	6.96	6.39
TOL : TNW	Times	3.28	2.76
Current Ratio	Times	1.07	1.10

Rating History for the last three years: (including withdrawn/suspended ratings)

S.No.	Instrument/ Facility	Current Rating (2018)			Rating History		
		Type	Amount (Rs Crs)	Rating	2017	2016	2015
1	**Fund Based** Cash Credit Limit Term Loan (O.S)	Long Term	4.50 8.80	**BWR BB-** (Pronounced as BWR Double B Minus) Outlook- Stable	**NA**	**NA**	**NA**
2.	**Non Fund Based** Bank Guarantee	Short Term	1.00	**BWR A4** (Pronounced as BWR Single A Four)	**NA**	**NA**	**NA**

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		Total	**Rs 14.30 Crores (INR Fourteen Crores Thirty Lakhs Only)**				

Status of non-cooperation with previous CRA (if applicable) – NA
Any other information – NIL

Hyperlink/Reference to applicable Criteria

General Criteria
Approach to Financial Ratios
Manufacturing Sector

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For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

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