

Sungold Processed Foods

February 13, 2018

Summary of rated instruments

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Short-term – Fund-based	18.00	18.00	[ICRA]D; revised from [ICRA]A4
Short-term – Non-fund based	6.00	6.00	[ICRA]D; revised from [ICRA]A4
Total	24.00	24.00	

*Instrument details are provided in Annexure 1

Rating action

ICRA has downgraded the short-term rating from [ICRA]A4 (pronounced ICRA A four) to [ICRA]D (pronounced ICRA D)¹ assigned to the Rs. 24.00-crore² short-term bank facilities of Sungold Processed Foods (SPF/the firm).

Rationale

The rating revision takes into account the recent delays in servicing of debt obligations, owing to the stretched liquidity position of the firm.

Key rating drivers

Credit strengths

Extensive experience of the promoter – The managing partner of the firm, Mr. Sashidharan Alanghat, has been in the food processing industry since 1983. The firm benefits from the rich experience of the promoter in the industry.

Strategic location of manufacturing facility – The firm's manufacturing facility is strategically located in Chittoor district of Andhra Pradesh. The proximity of the plant to major mango-production belt in South India ensures availability of better quality mangoes.

Credit challenges

Intense competition results in limited pricing flexibility – As a result of the fragmented nature of fruit pulp industry characterised by existence of large number of players, the firm has limited pricing flexibility.

Vulnerability of margins to foreign exchange fluctuations – With the Group deriving a major portion of its revenues from exports, the margins are susceptible to fluctuations in foreign exchange rates.

Risks associated with the firm's partnership nature – Given the partnership nature of the firm, any substantial cash withdrawals by the partners is likely to have an adverse impact on the capital structure.

¹For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications

²100 lakh = 1 crore = 10 million

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

Links to applicable criteria:

[Corporate Credit Rating Methodology](#)

[ICRA's Policy on Default Recognition](#)

About the company

Sungold Processed Foods (SPF) was established as a partnership firm in 2006 by Mr. Sashidharan Alanghat along with his wife Ms. Geetha Sashidharan and his son Mr. Abhishek Sashidharan as partners. The manufacturing facility of SPF is located at Chittoor in Andhra Pradesh with a processing capacity of 120 MT/day. The firm is primarily engaged in manufacturing of fruit pulp on a job-work basis. SPF has two group entities: Tropic Fruit Products (TFP), a partnership firm established in 2006, is into similar line of operations. TFP also has its manufacturing plant located in Chittoor with a capacity of 120 MT/day. The other group entity is Sungold Tropic Fruit Products Private Limited (STFPPL), incorporated in 2011 for exports of fruit pulp with Middle Eastern countries including Saudi Arabia and Kuwait as major export destinations. The fruit pulp requirements of the STFPPL were met through the two job work units in the Group, SPF and TFP. From May 2017 onwards, the Group started exporting processed pulp through SPF.

Key financial indicators (Audited)

	FY2016	FY2017
Operating Income (Rs. crore)	4.04	4.66
PAT (Rs. crore)	0.33	0.41
OPBDIT/ OI (%)	47.91%	37.99%
RoCE (%)	7.73%	7.65%
Total Debt/ TNW (times)	4.16	2.43
Total Debt/ OPBDIT (times)	4.30	3.57
Interest Coverage (times)	4.49	5.41
NWC/ OI (%)	50.23%	25.46%

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

Instrument	Current Rating (FY2018)			Chronology of Rating History for the past 3 years				
	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. Crore)	Date & Rating in FY2018		Date & Rating in FY2017	Date & Rating in FY2016	Date & Rating in FY2015
				February 2018	November 2017	-	-	-
Packing Credit	Short term	18.00		[ICRA]D	[ICRA]A4	-	-	-
Letter of Credit	Short term	6.00		[ICRA]D	[ICRA]A4	-	-	-

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Packing Credit	-	-	-	18.00	[ICRA]D
NA	Letter of Credit	-	-	-	6.00	[ICRA]D

Source: Sungold Processed Foods

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