Press Release

M/s. Asandas and Sons Private Limited

January 02, 2020

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating Assigned
1	Long Term Fund Based Facility - Term Loan	33.62	IVR BBB-/ Stable outlook (IVR Triple B minus with stable outlook)
2	Long Term Fund Based Facility - External Commercial Borrowing in Foreign Currency Denomination	42.00	
3	Long Term Fund Based Facility - Cash Credit	22.00	
4	Short Term Non-Fund Based- Bank Guarantee	8.50	IVR A3 (IVR A Three)
	Total	**106.12**	

Details of Facilities are in Annexure 1

Detailed Rationale

The assigned rating derives strength from the Company's diversified & reputed client base, improvement in overall operational & financial profile, location of the plant and entry barriers in French fries segment. However, these strength are partially offset by a short track record of the unit in frozen food processing industry and moderately working capital intensive operations.

Key Rating Sensitivities

- **Upward Factor**
  - Significant improvement in business operations along with increasing operating margins.
  - Efficient working capital management.
  - Improvement in Gearing
- **Downward Factor**
  - Lower than expected scale of operations.
  - Downward bias in operating margins.
  - Significant deterioration in debt protection parameters

List of key rating drivers with detailed description
Key Rating Strengths

- ***Diversified & Reputed Client Base:***
  ASPL's clientele consists reputed customers, such as Carls' Junior and Burger King India in the French fries segment. While, big players from the QSR segment include KFC, Pizza Hut & Café Coffee Day. Also, the company supplies its products in the consumer/retail segment namely, Future Group, Godrej Tyson foods, Amul, Mother Dairy and Vadilal. In the export market, the company caters to customers from Thailand, Singapore, Philippines, etc. Established relations with such reputed customers result in repeated orders. Currently, the order book position of the company stands strong at Rs. 145.00 crore in hand to be supplied in the next 5-6 months.

- ***Entry barriers in French fries segment:***
  French fries manufacturing requires a specific type of potato, which is generated from a certain seed. There are criticalities/restrictions involved in terms of acquisition of seed, time required to develop potato from the seeds, contract farming and capex for the setting up of plant and cold supply chain. ASPL has its own seed multiplication program which starts with sourcing mini-tubers from reputed tissue culture labs. Thereafter, these tubers are multiplied for three years through contract farming with the farmers in North Indian States of Punjab and Himachal Pradesh. The third generation seed potatoes are provided to the farmers in Gujarat who enter into contract farming agreement with the company at a predetermined price for commercial cultivation of potato as per the company's processing needs. Further, as a provider of processed food, the company requires various certifications and has to undergo stringent audits from clients.

- ***Strategically located plant:***
  ASPL enjoys locations advantage by virtue of being located closer to the potato growing region, i.e. Northern Gujarat. Also, the company enjoys proximity to key ports such as Kandla and Mundra to cater to its export markets. The manufacturing facility has a total capacity to manufacture 10.5 tons of French fries per hour and 1.5 tons of potato specialty products per hour. The company has a well-managed supply chain management.

- ***Improvement in overall operational & financial profile:***
  The promoters' extensive industry experience has helped in favourable improvement in the overall business operations. ASPL witnessed a healthy revenue growth of ~53% in operating income to Rs. 161.11 crore in FY19 from Rs. 105.61 crore in FY18. With the fresh subscription of equity shares by the existing promoters, the tangible net worth increased to Rs. 59.26 crore as on March 31, 2019 from Rs. 25.97 crore as on March 31, 2018. This result helped the company lower its overall gearing level to 0.69x from 2.01x for the same periods respectively. Further, the company has already

achieved turnover of Rs. 166.00 crore by November 2019 which is backed by strong order book position of Rs. 145.00 crore, to be supplied in the next six months.

Key Rating Weaknesses

- ***Short track record in frozen food processing industry:***
  The company commenced operating in January 2016 and hence, it has a short track record of operation. It only completed two full years of operations till FY19. However, the promoters have decades' worth of experience in potato trading business.

- ***Moderately working capital intensive operations:***
  Procurement of potatoes by the company are seasonal in nature and thus it is a challenge to manage its working capital requirements. ASPL starts procurement during October to February which results in higher utilisation of working capital limits during that time. The average WC limit utilisation stood at ~80% for the last 12 months ended November 2019. The inventory holding period stood high at 83 days as on March 31, 2019.

- **Agro-Climatic Risk:**
  The raw materials which consist of around 70% of the total cost are susceptible to fluctuations in production due to vagaries of nature (monsoon).

Analytical Approach & Applicable Criteria:

Standalone
Rating Methodology for Manufacturing Companies
Financial Ratios & Interpretation (Non-financial Sector)

Liquidity

Adequate liquidity characterized by sufficient cushion in accruals vis-à-vis repayment obligations and moderate cash balance of Rs. 4.92 Crore. Its bank limits are utilized to the extent of 80%, supported by above unity current ratio.

About the Company

Incorporated in the year 1962 as a partnership firm, Asandas & Sons was founded by Mr. Asandas J. Karamchandani at Mehsana, Gujarat.
Recently, after changing its constitution, the company is known as Asandas & Sons Private Limited (ASPL). Initially, Asandas was mainly involved in managing integrated supply chain of onion and potato, right from providing inputs to farmers, sorting, grading, packaging, storage and supply to wholesale market as well as organized retail. In 2016, the company ventured into frozen potato French fries and other potato based products by setting up a 1.2 T/hr. (present capacity being 10.5 T/hr.) potato French fries plant in Mehsana, Gujarat. The company sells these niche products in the name of 'HyFun Foods'.

Financials (Standalone) **(Rs. crore)**

For the year ended* / As On	31-03-2018 (Audited)	31-03-2019 (Audited)
Total Operating Income	105.61	161.11
EBITDA	15.07	29.14
PAT	2.76	8.26
Total Debt	74.65	48.82
Tangible Networth	37.19	70.48
EBITDA Margin (%)	14.27	18.09
PAT Margin (%)	2.61	5.13
Overall Gearing Ratio (x)	2.01	0.69

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA:

- India Ratings in its press release dated Feb 13, 2019 has informed that India Ratings has migrated the rating of Asandas & Sons to "Issuer Not Cooperating" category.
- Brickwork Ratings in its press release dated Mar 23, 2019 has informed that Brickwork Ratings has migrated the rating of Asandas & Sons to "Issuer Not Cooperating" category.

Any other information: N.A

Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
		Type	Amount (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17
1	Long Term Fund Based Facility - Term Loan	Long Term	33.62	IVR BBB-/ Stable outlook (IVR Triple B minus with stable outlook)	--	--	--
2	Long Term Fund Based Facility - External Commercial Borrowing in Foreign Currency Denomination	Long Term	42.00	IVR BBB-/ Stable outlook (IVR Triple B minus with stable outlook)	--	--	--
3	Long Term Fund Based Facility - Cash Credit	Long Term	22.00	IVR BBB-/ Stable outlook (IVR Triple B minus with stable outlook)	--	--	--
4	Short Term Non-Fund Based- Bank Guarantee	Short Term	8.50	IVR A3 (IVR A Three)			

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based Facility - Term Loan	--	--	Feb 2029	16.95	IVR BBB-/ Stable outlook (IVR Triple B minus with stable outlook)
Long Term Fund Based Facility - Term Loan	--	--	Mar 2022	16.67	IVR BBB-/ Stable outlook (IVR Triple B minus with stable outlook)
Long Term Fund Based Facility - External Commercial Borrowing in Foreign Currency Denomination	--	--	Oct 2026	42.00	IVR BBB-/ Stable outlook (IVR Triple B minus with stable outlook)
Long Term Fund Based Facility - Cash Credit	--	--	Revolving	22.00	IVR BBB-/ Stable outlook (IVR Triple B minus with stable outlook)
Short Term Non-Fund Based- Bank Guarantee	--	--	Less than one year	8.50	IVR A3 (IVR A Three)