Press Release

Sunbridge Agro Private Limited

October 30th, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	235.00	IVR BBB / Stable [IVR Triple B with Stable Outlook]	-	Assigned	Simple
Total	**235.00**	**(Rupees two hundred and thirty-five crore only)**			

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics Ratings has assigned the long-term rating of IVR BBB with a stable outlook for the bank loan facilities of Sunbridge Agro Private Limited (SAPL).

The assigned rating takes into consideration the experienced management and established track record of operations with improvement in scale of operations and profitability margins along with the moderation in the financial risk profile of the company. However, these rating strengths are partially offset by working capital intensive nature of operations and vulnerability to fluctuation in raw material prices.

The 'Stable' outlook indicates a low likelihood of rating change over the medium term. Infomerics ratings believes that SAPL will continue to benefit on account of stable outlook for edible oil industry.

IVR has principally relied on the standalone audited financial results of SAPL up to 31 March 2024 (refers to period April 1st, 2023, to March 31st, 2024) and projected financials for FY25, (refers to period April 1st, 2024, to March 31st, 2025) FY26 (refers to period April 1st, 2025, to March 31st, 2026) and FY27 (refers to period April 1st, 2026, to March 31st, 2027), and publicly available information/ clarifications provided by the company's management.

Key Rating Sensitivities:

Upward Factors

- Significant growth in scale of business with further improvement in profitability metrics thereby leading to overall improvement in cash accruals and liquidity.
- Improvement in the capital structure with further improvement in TOL/ TNW to be maintained below 2x on sustained basis.

Downward Factors

- Dip in operating income and/or profitability thereby impacting the debt coverage indicators and/or any deterioration in the financial risk profile.
- Any further significant rise in working capital intensity leading to a further deterioration in the liquidity position.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Extensive experience of promoters**

SAPL incorporated in 2022 and operates under management with experience in similar businesses. The company focuses on manufacturing edible oils. The promoters are Mr. Akshay Mittal and Mr. Anuj Kumar Aggarwal are having experience in same line of business and their industry experience will aid the company's future development. The promoters also have a presence in the industry through other group entities.

Improvement in scale of operations and profitability margins

The total operating income of the company registered growth of 4.47% in FY24 and stood at Rs. 1068.97 Crore in FY24 as against Rs. 1022.87 crore in FY23. The company witnessed an increasing trend in its operating income from manufacturing driven by capacity expansions, enhanced product offerings and increase in orders received from customers. EBITDA improved and stood at Rs. 34.96 crore in FY24 as against Rs. 20.06 crore in FY23. EBITDA margin of the entity increased by 131 bps and stood at 3.27% in FY24 as against 1.96% in FY23, due to higher share of manufacturing business coupled with decrease in raw material consumption and optimum utilisation of raw material. PAT improved from Rs. 9.87 Crore in FY23 to Rs. 10.91 Crore in FY24. PAT margin increased by 06 bps and stood at 1.02% in

FY24 as against 0.96% in FY23, in line with EBITDA margin. Net cash accruals stood at Rs. 15.00 crore in FY24 as against Rs. 9.88 crore in FY23.

Moderate financial risk profile

The capital structure stood comfortable. Long term debt upon equity and overall gearing and stood comfortable at 0.00x and 1.49x in as on 31st Mar'24 as against 0.00x and 1.73x as on 31st Mar'23, due to increase in tangible net worth and proportionately increase in total debt. TOL/TNW stood moderate at 2.38x in FY24 as against 3.79x in FY23, due to decrease in current liabilities. Total debt to GCA (in years) stood at 11.23x in FY24 as against 13.08x in FY23, due to increase in total debt in FY24. The debt protection metrics of the entity are comfortable and above unity with decrease in interest coverage ratio stood at 2.01x in FY24 as against 3.01x in FY23, due to increase in interest and finance charges. And debt service coverage ratio (DSCR) stood at 1.86x in FY24 as against 2.48x in FY23.

Key Rating Weaknesses

- **Vulnerability to fluctuations in agro-based raw material prices**

Operations face inherent risks linked to the agriculture-based commodity sector, including raw material availability, price fluctuations, and changes in government regulations. Crude edible oil prices are volatile, making profitability sensitive to the company's ability to pass costs to customers. Additionally, demand and supply of vegetable oil are influenced by regulatory changes in exporting and importing countries. The company is engaged in providing trading and manufacturing of agro based products; thus, it is exposed to risk associated with the fluctuation in production levels, uncertain weather conditions and limited shelf life of the products.

- **Working capital intensive nature of operations**

The operating cycle of the entity increased and stood at 100 days in FY24 as against 59 days in FY23 with increase collection period of 61 days in FY24 as against 36 days in FY23 with an increase in scale of operations.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies.
Financial Ratios & Interpretation (Non-Financial Sector).
Criteria for assigning Rating outlook.
Policy on Default Recognition
Complexity Level of Rated Instruments/Facilities

Liquidity – Adequate

The liquidity position of the group is adequate marked by 96.70% consolidated average utilisation of fund-based limits during the past 12 months ended August'2024. Further, the group expects sufficient cushion in cash accruals against its debt repayments for the next 3 years. Current Ratio stood at 1.31x as of March 31, 2024. The unencumbered cash and bank balance of the company stood at Rs.0.52 Crores as on March 31, 2024. The operating cycle of the entity increased and stood at 100 days in FY24 as against 59 days in FY23 with increase collection period of 61 days in FY24 as against 36 days in FY23 with an increase in scale of operations.

About the Company

Sunbridge Agro Private Limited was incorporated in 2022 by Mr. Anuj Kumar Agarwal and Mr. Akshay Mittal. The company has been engaged in the manufacturing of edible oils since September 2023, after commissioning its 800 MT per day refinery. Prior to that, they were involved in the bulk trading of various edible oils such as Crude Degummed Soybean oil, Palm Refined Oil, Crude Palm Oil, Crude Rice Bran Oil, Soya Refined Oil, Rice Bran Refined Oil, Mustard loose Oil etc and sold to the various Institutional Buyers & Manufacturers of food products in FMCG Industry. Principally company procures the goods domestic importers when goods reach the Indian soil.

Financials Standalone:

(Rs. crore)

For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	1022.87	1068.97
EBITDA	20.06	34.96
PAT	9.87	10.91
Total Debt	129.27	168.45

Tangible Net Worth	74.85	113.27
EBITDA Margin (%)	1.96	3.27
PAT Margin (%)	0.96	1.02
Overall Gearing Ratio (x)	1.73	1.49
Interest Coverage (x)	3.01	2.01

** Classification as per Infomerics Standard*

Status of non-cooperation with previous CRA: None

Any other information: Not Applicable

Rating History for last three years:

Sr. No.	Name of Instrument/ Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1.	Fund Based Limits	Long Term	235.00	IVR BBB/ Stable (IVR Triple B with stable outlook)	-	-	-

Analytical Contacts:

Name: Vipin Jindal

Tel: (011) 45579024

Email: vipin.jindal@infomerics.com

About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.

Annexure 1: Details of Facilities

Name of Facility	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	-	235.00	IVR BBB/Stable (IVR Triple B with stable outlook)

Annexure 2: Facility wise lender details
https://www.infomerics.com/admin/prfiles/len-sunbridge-oct24.pdf

Annexure 3: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated analysis: Not Applicable.

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.