Press Release

Asandas and Sons Private Limited (ASPL)

September 15, 2021

Ratings:

(INR Crore)

Instrument / Facility	Amount	Ratings	Rating Action
Long Term Facility – Fund Based – Term Loan	34.19 (Reduced from 40.47)	IVR BBB/ Positive Outlook (IVR Triple B with Positive Outlook)	Rating Reaffirmed and Outlook revised
Long Term Facility – Fund Based – Cash Credit	40.00 (Increased from 34.00)	IVR BBB/ Positive Outlook (IVR Triple B with Positive Outlook)	Rating Reaffirmed and Outlook revised
Long term Bank Facility – External Commercial Borrowings in Foreign Currency Denomination	39.89 (Reduced from 42.00)	IVR BBB/ Positive Outlook (IVR Triple B with Positive Outlook)	Rating Reaffirmed and Outlook revised
Short Term Non-Fund based Facility – Bank Guarantee	8.50	IVR A3+ (IVR A Three Plus)	Rating Reaffirmed
Proposed Long term Fund based Bank Facility - Cash Credit	8.39 (Increased from 6.00)	IVR BBB/ Positive Outlook (IVR Triple B with Positive Outlook)	Rating Reaffirmed and Outlook revised
Total	**130.97**		

Details of Facilities are in Annexure 1

Detailed Rationale:

The affirmation of the ratings assigned to the bank facilities of ASPL continue to derive strength from its experience of promoters in agri & food processing related business, entry barriers in french fries segment and established relations with contract farmers, strategically located plant, reputed clients base, favorable growth prospects for processed food industry and improvement in overall operational & financial profile as expected. However, the rating strengths are partially offset by vulnerability of operations, raw materials procurement, agro-climatic risk and other regulatory risk, high working capital intensity and exposure to foreign exchange fluctuations.

The revision in outlook to positive from stable reflects expected improvement in overall operating performance of the Group in FY22 and beyond.

Key Rating Sensitivities:

Upward Factors:

- Sustained and significant improvement in the scale of operations while maintaining profitability & debt protection metrics on a consolidated basis.

Downward Factors:

- Any decline in scale of operations and/or profitability, leading significant deterioration of debt protection metrics and/or on a consolidated basis.

Key Rating Drivers with detailed description

Key Rating Strengths:

Experience of promoters in agri & food processing related business:

Group has an established presence in the potato trading business since its inception and lately (from the year 2016), The Group leveraged on its promoters expertise to venture into processing of potato-based products, namely French fries, potato flakes, etc. Also, backed by the extensive experience, the promoters have a strong understanding of the local dynamics. Altogether, the group benefits from the significant experience of its promoters, who have been collectively associated with the industry for almost 5 decades now.

Entry barriers in French fries segment and established relations with contract farmers:

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. HAPL 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 group at a predetermined price for commercial cultivation of potato as per The Group's processing needs. Further, as a provider of processed food, The Group requires various certifications and has to undergo stringent audits from clients.

Strategically located plant:

The Group enjoys geographical advantage by virtue of being located closer to the potato growing region, i.e. Northern Gujarat. The Group manufacturing facilities are based in Mehsana, Gujarat, i.e. area where high potato availability with quality crop, which provides easy access to quality raw materials and contract-farmed potatoes from its farmers. Also, The Group benefits in terms of the ready infrastructure and logistics, such as in-house cold storage, adequate power supply, lower transportation cost and accessibility to ports for exports.

Reputed clients base:

The group caters to reputed players such as Burger King Restaurants, Amul, Mother Dairy, ITC, Siam Makro, Wal-Mart India, Cargill, KFC, Jagota Brothers to name a few. Around 70-75% of sales are through exports to countries such as Nepal, Pakistan, Bhutan, Dubai, Saudi Arabia, Thailand, Malaysia, Singapore, Philippines, etc. The products are present in these markets with retail stores such as Tesco Thailand, Makro Thailand & Mydin Malaysia. Year-on-year the group is trying to expand its footprints to new countries.

Favorable growth prospects for processed food industry:

Increasing working population, bourgeoning urban and young population along with changing lifestyles of people and the paucity of time in a faced-paced world are expected to be driving factors for growth of the processed food industry.

Improvement in overall operational & financial profile as expected:

The Group's consolidated revenues increased to INR 482.26 Crore in FY2021 (Provisional) from INR 321.92 Crore in FY2020, marking a growth of ~50% year over year. Its revenue has shown an increasing trend since the last four years. The increase is on account of better sales realisation, volume growth and comfortable order book position. The capital structure of the group remained moderate with overall gearing and long debt-equity of 1.36x and 0.62x as on 31st March 2021 compared 1.21x and 0.76x as on 31 March 2020 respectively. The financial risk profile of the group is healthy marked by healthy net worth, debt protection metrics and debt coverage indicators. The adjusted net worth stood moderate at INR 178.28 Crore as on 31st March 2021 (31st March 2020: INR 129.14 Crore). Interest coverage ratio stood at 4.11x in FY21 (FY 20: 3.75x). Total Debt / GCA ratio was at 4.35 times in FY2021. Total debt/GCA, interest coverage & other debt protection metrics are expected to remain moderate moving forward.

Key Rating Weaknesses:

Vulnerability of operations, raw materials procurement, agro-climatic risk and other regulatory risk:

The business operations and profitability remain exposed to the adequate availability of quality potato at good prices. The raw materials which consist of around 70% of the total cost are susceptible to fluctuations in production due to vagaries of nature (monsoon). Further, with the outbreak of COVID-19 and other regulatory concerns, the existing conditions can impact the group's operations for the short term.

High working capital intensity:

The main raw material for manufacturing fries (the end product) is potato. Since potato season generally ends in April, the group is required to start stocking potatoes from February to meet the requirements for the entire year, which leads to high inventory. Accordingly, the working capital requirements remain high during that particular time period.

Exposure to foreign exchange fluctuations:

Since a bulk of the groups transaction are made to foreign countries, the group is exposed to unexpected foreign exchange price movements, as the export realisations are generally in US$ terms.

Analytical Approach: Consolidated

For arriving at the rating, Infomerics has consolidated operational and financial risk profile of Asandas & Sons Private Limited (ASPL) - Parent Company and Hyfun Agrilink Private Limited (HAPL) - 100% Subsidiary Company for arriving at the rating. The consolidated approach is taken on basis of common management, similar product line and operational & financial synergies between the two companies. Both the companies collectively known as Hyfun Foods Group.

Applicable Criteria:

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

Liquidity – Adequate

The liquidity position of the group remains adequate as cash accruals are expected to remain sufficient to meet the repayment obligations. Further, the group had gross cash accruals of INR. 55.65 Crore in FY21. The overall utilisation of the limits (fund based + non-fund based) remains moderate during the last 12 months ended 31st May 2021. The current ratio stood at 1.29 times as on 31st March 2021. Also, the group finds cushion from the financial support from the promoters.

About the Company: Asandas and Sons Private Limited (ASPL)

Incorporated in the year 1962 as a partnership firm, the company changed its constitution recently and now is known as Asandas & Sons Private Limited (ASPL). In 2016, to leverage out their long standing experience in the potato segment and with a vision to diversify and provide value added products, the company ventured into frozen potato French fries and other potato based products by setting up a plant in Mehsana, Gujarat. The company sells these niche products in the name of 'HyFun Foods'.

About the Company: Hyfun Agrilink Private Limited (HAPL)

Incorporated in January 2019, Hyfun Agrilink Private Limited (HAPL) is a 100% owned subsidiary of Asandas & Sons Private Limited (ASPL). The concerned entity is mainly engaged in procurement of raw materials (potato) for the parent company meanwhile supplying it to other regional and local players too.

Financials: Consolidated

(INR Crore)

For the year ended/ As On	31-03-2020	31-03-2021
	(Audited)	(Provisional)
Total Operating Income	321.92	482.26
EBITDA	59.83	79.92
PAT	30.72	42.10
Total Debt	156.16	241.93
Adjusted Tangible Net-worth	129.14	178.28
Ratios		
EBITDA Margin (%)	18.59	16.57
PAT Margin (%)	9.38	8.72
Overall Gearing Ratio (x)	1.21	1.36

Financials: Standalone (Asandas and Sons Private Limited)

(INR Crore)

For the year ended/ As On	31-03-2020	31-03-2021
	(Audited)	(Provisional)
Total Operating Income	273.51	322.45
EBITDA	52.48	63.61
PAT	29.08	36.75
Total Debt	113.30	152.74
Adjusted Tangible Net-worth	119.02	162.92

Ratios		
EBITDA Margin (%)	19.19	19.73
PAT Margin (%)	10.42	11.38
Overall Gearing Ratio (x)	0.95	0.94

Status of non-cooperation with previous CRA:

Brickwork Ratings vide its press release dated 26st July 2020 has continued to classify the case under Issuer Not Co-operating category on account of non-submission of relevant information.

Any other information: NA

Rating History for last three years:

Sr. No.	Name of Instrument/ Facilities	Current Ratings (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (INR Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21 (16/Jun/20)	Date(s) & Rating(s) assigned in 2019-20 (02/Jan/19)	Date(s) & Rating(s) assigned in 2018-19
1.	Long Term Facility – Fund Based – Term Loan	Long Term	34.19	IVR BBB/ Positive	IVR BBB/ Stable	IVR BBB-/ Stable	--
2.	Long Term Facility – Fund Based – Cash Credit	Long Term	40.00	IVR BBB/ Positive	IVR BBB/ Stable	IVR BBB-/ Stable	--
3.	Long term Bank Facility – External Commercial Borrowings in Foreign Currency Denomination	Long Term	39.89	IVR BBB/ Positive	IVR BBB/ Stable	IVR BBB-/ Stable	--
4.	Short Term Non-Fund based Facility – Bank Guarantee	Short Term	8.50	IVR A3+	IVR A3+	IVR A3	--

5.	Proposed Long term Fund based Bank Facility - Cash Credit	Long Term	8.39	IVR BBB/ Positive	IVR BBB/ Stable	--	--

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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. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. 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 (INR Crore)	Rating Assigned/ Outlook
Long Term Facility – Fund Based – Term Loan	--	--	Upto Mar 2028	34.19	IVR BBB/ Positive Outlook
Long Term Facility – Fund Based – Cash Credit	--	--	--	40.00	IVR BBB/ Positive Outlook
Long term Bank Facility – External Commercial Borrowings in Foreign Currency Denomination	--	--	Upto Sep 2026	39.89	IVR BBB/ Positive Outlook
Short Term Non-Fund based Facility – Bank Guarantee	--	--	--	8.50	IVR A3+
Proposed Long term Fund based Bank Facility - Cash Credit	--	--	--	8.39	IVR BBB/ Positive Outlook

Annexure 2: List of companies considered for consolidated analysis:

Asandas and Sons Private Limited	**Consolidation Approach**
Hyfun Agrilink Private Limited	

Annexure 3: Facility wise lender details:

https://www.infomerics.com/admin/prfiles/Asandas-sons-15sept21.pdf

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Annexure 5: Complexity level of the rated Instruments/Facilities:

Sr. No.	Instrument	Complexity Indicator
1	Long Term Facility – Fund Based – Term Loan	Simple
2	Long Term Facility – Fund Based – Cash Credit	Simple
3	Long term Bank Facility – External Commercial Borrowings in Foreign Currency Denomination	Simple
4	Short Term Non-Fund based Facility – Bank Guarantee	Simple

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.