

SSAGRI Group Private Limited

February 26, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term / Short Term Bank Facilities	30.00	CARE B+; Stable / CARE A4; ISSUER NOT COOPERATING*	Rating moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

*Issuer did not cooperate; based on best available information.

Rationale and key rating drivers

CARE Ratings Ltd. has been seeking information from SSAGRI Group Private Limited (SGPL) to monitor the rating(s) vide e-mail communications dated November 01, 2023, December 27, 2023 and January 02, 2024 among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. The rating on SSAGRI Group Private Limited's bank facilities will now be denoted as **CARE B+; Stable/CARE A4; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The ratings take into account small scale of operations with limited track record and low net worth, product concentration risk, leveraged capital structure and weak debt coverage ratios, Susceptibility to changes in agro-climatic conditions, seasonal nature of availability of agricultural produce resulting in working capital intensive nature of operations and highly fragmented industry with intense competition. The ratings are, however, underpinned by established track record and experience of promoters in the industry, operational support from Siva Sai group and healthy demand outlook.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Total operating income (TOI) improving above Rs.100.00 crore with a sustainable PBILDT margins of 5%
- Overall gearing below 2.00x on a sustained basis

Negative factors

- Decline in TOI below Rs. 50 crores and PBILDT levels below 3%
- Deterioration in overall gearing above 3.00x

Analytical approach: Standalone

Outlook: Stable. The 'Stable' outlook on the ratings of SGPL reflects CARE's expectation to sustain stable scale of operations and profitability margins with no significant deviation in financial risk profile.

Detailed description of the key rating drivers:

At the time of last rating on February 15, 2023 the following were the rating strengths and weaknesses (updated for the information available from Registrar of Companies)

Key weaknesses

Small scale of operations with limited track record: SGPL was incorporated in FY20 but commercial operations of the company started from FY21-22. During FY23, SGPL has achieved total operating income of Rs. 30.46 crores against Rs. 9.70 crores in FY22 with acceptance of SGPL products in Europe market. Despite improvement, scale of operations are remained low. Profitability margins of SGPL vary from product to product and the same are high in case of exports. Inline with TOI, PBILDT and PAT levels of the company improved to Rs. 2.35 crores and Rs. 0.59 crores in FY23 against Rs. 0.63 crores and Rs. 0.18 crores in FY22. Net worth of the company marginally improved but remained low at Rs. 7.34 crores as on March 31, 2023.

Product concentration risk: SGPL is into processing and grading agri products like grapes, green peas and sweetcorn. Contribution from sale of grapes is high at more than 80% in FY 22 and H1FY23. During FY23, company has added 2 more agri

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

products and planning to expand its product portfolio by adding dehydrated products like onion and potato flakes in Q4FY23 with growing demand for these products which will support to improve scale of operations and margins.

Leveraged capital structure and weak debt coverage indicators: Total debt of the company includes EPC limit availed and loan from related parties. Capital structure of the company leveraged marked by overall gearing ratio further deteriorated to 4.07x as on March 31, 2023 against 3.29x as on March 31, 2022, on account of full utilisation of working capital limits and low net worth base. As on March 31, 2023, tangible net worth of the company stood low at Rs. 7.34 crores. Interest coverage ratio of the company stood comfortable at 1.29x as on March 31, 2023 and TDGCA is high at 50.70x in FY23 with high dependency on working capital limits and low GCA levels.

Susceptibility to changes in agro-climatic conditions: In the agro foods industry, the climate plays a very important role as it can impact the fruit or crop yield during the season. Due to this, the prices of fruits and vegetables are volatile and can impact the profit margins of the Company.

Working capital intensive nature of operations: The company procures the raw material from SSE (group company) and gets credit period of 5 to 6 months and further extension in case if required. SGPL maintains average inventory of 6 months as the agri produce is seasonal in nature. Since the lifespan of processed agri produce is up to 2 years and anticipation of better sales realisation during off season, the company maintains high inventory to meet the customers requirement as on need basis. Operating cycle of the company elongated to 407 days at the back of averaging effect of low turnover in FY22 (commercialised operations in FY22) compared to FY23, stretched receivables and high inventory levels.

Highly fragmented industry with intense competition: SGPL operates in a highly fragmented and unorganized market for agro based processing industry with the presence of a large number of large and small sized players. The prices are driven primarily by the existing demand and supply conditions with linkage to the export market. With Europe and Middle East being the major destinations for the Indian players operating in same line of activity, the competition among the players intensifies resulting into more pressure on the margins for smaller players like SGPL. The small players face high degree of competition largely due to the presence of the unorganized sector and fragmented nature of the industry.

Key strengths

Established track record and experience of promoters in the industry: SGPL is closely held company and managed by Mr. Cherukuri Naresh Chowdary and Mrs. Sirisha Cherukuri, who belong to Siva Sai Group. Siva Sai Group, a group of companies which was established as an individual company Siva Sai Exports back in 2007 for exporting Fresh Fruits from India later has been diversified into a group of 7 companies. Mr. Cherukuri Naresh Chowdary director of SGPL acts a Chief executive officer for Siva Sai group and promoters have more than 13 years of experience in the field of processing and export of vegetables and fruits.

Healthy demand outlook: Food processing is a vast sector that encompasses activities such as agriculture, horticulture, plantation, dairy, animal husbandry, and aquaculture. The Government of India (GoI) has acknowledged the food processing sector as a high-priority industry and is currently promoting it with various fiscal reliefs and incentives. Continuous growth in the urban population and increased employment rates have resulted in consumers living a fast-paced and busy lifestyle. With limited time available for cooking and meal preparation, processed foods such as ready-to-eat and ready to cook products have become quite popular, particularly in the urban areas. The Indian food industry is growing at a CAGR of 11% and the output is projected to reach the US \$535 billion by 2025.

Liquidity: Stretched.

The liquidity profile of the company is stretched marked by gross cash accruals of Rs. 0.59 crores against nil debt repayments. Utilisation of working capital limits as on March 31, 2023 stood high at 99.3% with increased reliance on working capital limits at the back of elongated operating cycle. Further, SGPL has free cash balance of Rs. 0.01 crore as on March 31, 2023.

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

[Policy in respect of non-cooperation by issuers](#)

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Agricultural Food & other Products	Other Agricultural Products

Andhra Pradesh based, SSAGRI Group Private Limited (SGPL) established as private limited in FY20 by Mr. Naresh Chowdary Cherukuri and Mrs. Sirisha Cherukuri. SGPL is engaged in processing and grading of agri products i.e., fruits and vegetables. Company uses capacity and assets of Siva Sai Exports (SSE) located at Nashik, Maharashtra on rental basis. SSE dedicated the processing capacity of 50 tons per day (TPD) and cold storage unit with capacity of 4000 MTPA to SGPL.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)
Total operating income	9.70	30.46
PBILDT	0.63	2.35
PAT	0.18	0.59
Overall gearing (times)	3.29	4.07
Interest coverage (times)	1.39	1.29

A: Audited; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT/ ST-Bill Discounting/ Bills Purchasing		-	-	-	9.50	CARE B+; Stable / CARE A4; ISSUER NOT COOPERATING*
Fund-based - LT/ ST-Packing Credit in Indian rupee		-	-	-	20.50	CARE B+; Stable / CARE A4; ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on best available information.

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based - LT/ST-Packing Credit in Indian rupee	LT/ST ^	20.50	CARE B+; Stable / CARE A4; ISSUER NOT COOPERATING *	-	1)CARE B+; Stable / CARE A4 (15-Feb-23)	-	-
2	Fund-based - LT/ST-Bill Discounting/ Bills Purchasing	LT/ST ^	9.50	CARE B+; Stable / CARE A4; ISSUER NOT COOPERATING *	-	1)CARE B+; Stable / CARE A4 (15-Feb-23)	-	-

*Issuer did not cooperate; based on best available information.

^Long term/Short term.

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not applicable**Annexure-4: Complexity level of the various instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT/ ST-Bill Discounting/ Bills Purchasing	Simple
2	Fund-based - LT/ ST-Packing Credit in Indian rupee	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About us:

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