

## Press Release

### Supple Tek Industries Private Limited

March 05, 2020

#### Rating Withdrawn



<b>Total Bank Facilities Rated*</b>	Rs.109.00 crore
<b>Long Term Rating</b>	ACUITE BBB+ (Withdrawn)

\* Refer Annexure for details

#### Rating Rationale

Acuite has withdrawn the long term rating of '**ACUITE BBB+**' (read as **ACUITE triple B plus**) on the Rs.109.00 crore bank facilities of Supple Tek Industries Private Limited (STIPL).

The rating has been withdrawn on account of request received from the company and NOC received from the banker.

The Amritsar-based, Supple Tek Industries Private Limited (STIPL) was incorporated in 2014 by Mr. Kawaljit Singh Arora and Mr. Ramneek Singh. The company is engaged in processing and exporting of basmati rice and sugar. The company procures paddy from the local market and from the farmers. STIPL exports its products to Middle East countries (majorly Iran).

#### Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the STIPL to arrive at this rating.

#### Key Rating Drivers

##### Strengths

##### • Experienced management and improving business risk profile

The key promoters of STIPL, Mr. Ramneek Singh and Mr. Kawaljit Singh, have over two decades of experience in the agricultural industry. The established experience of promoters have enabled STIPL to widen the customer base and maintain long-term relations with the suppliers and customers.

STIPL's operating income witnessed a compound annual growth rate (CAGR) of 80 per cent over the past three years through FY2019 at Rs.5961.69 crore from Rs.3113.31 crore in FY2018 and Rs.1833.50 crore in FY2017. The company sells its manufactured products under different domestic and international brands like, Zeeba, Elate and Punjab King among others. Acuite believes that STIPL will continue to benefit from promoters' extensive experience in the industry and its improving business risk profile over the medium term.

##### • Moderate financial risk profile

STIPL has moderate financial risk profile marked by moderate net worth, moderate gearing and healthy debt protection metrics. The moderate tangible net worth is estimated at Rs.327.18 crore as on March 31, 2019 as against Rs.221.50 crore as on March 31, 2018. This includes unsecured loan of Rs.115.77 crore as on 31 March, 2019 which is considered as quasi-equity. The company has followed a moderate financial policy in the past, the same is reflected through its peak gearing levels of 1.89 times as on March 31, 2018. The gearing has improved to current levels of 1.61 times as on March 31, 2019. The debt of Rs.528.04 crore as on March 31, 2019 consists of working capital borrowings of Rs.509.83 crore and term loans of Rs.18.21 crore. Total outside Liabilities/Tangible Net Worth (TOL/TNW) showed its peak levels at 2.57 times as on March 31, 2018, this has improved to 2.47 times as on 31 March, 2019.

The debt protection metrics stood healthy marked by Interest Coverage Ratio (ICR) in the range of 4.76-5.68 times through FY2019. Debt Service Coverage Ratio (DSCR) stood at 3.89 per cent in FY2019 as against 3.51 percent in FY2018. NCA/TD stood at 0.21 times as for FY2019 as against 0.17 times for FY2018.

#### • Efficiently managed working capital cycle

The operations of STIPL are well managed marked by GCA days of 63 in FY2019, an improvement from 83 in FY2018. The improvement was majorly due to reduction in inventory days, STIPL has peak inventory days of 66 days in FY2018. This has improved to 37 days in FY2019. Further, debtor days are showing peak of 23 days in FY2019. STIPL enjoys credit period of 14 days for both FY2019 and FY2018, which moderates the reliance on working capital borrowings.

### Weaknesses

#### • Risk related to economic conditions of the export countries

STIPL, which is engaged in processing and exporting of basmati rice to the Middle East countries. The company is exposed to risk related to economic conditions of the export countries. Approximately 90% of the revenue is derived from exporting basmati rice. So, if there is any slowdown in the economic conditions of these countries, will affect the order flow of the company.

#### • Foreign exchange fluctuation risk

Since the company exports to Middle East countries, the profitability margins remain susceptible to fluctuations in forex rates. Also, the company operates in a highly competitive and fragmented rice industry.

### Liquidity Position: Adequate

The company has adequate liquidity profile. The company generated cash accruals in the range of Rs.33.52-108.69 crore through FY2019 and sufficient against maturing debt obligations. The company's working capital operations are well managed marked by GCA days of 63 in FY2019. The company maintains unencumbered cash and bank balances of Rs.16.87 crore as on March 31, 2019. The current ratio stood at 1.35 times as on March 31, 2019.

### About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	5961.69	3113.31
PAT	Rs. Cr.	98.34	64.03
PAT Margin	(%)	1.65	2.06
Total Debt/Tangible Net Worth	Times	1.61	1.89
PBDIT/Interest	Times	5.68	4.76

### Status of non-cooperation with previous CRA (if applicable)

Not Applicable

### Any other information

Acuite is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups

### Material Covenants

None

### Applicable Criteria

- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Application of Financial Ratios and Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-17.htm>

### Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

### Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
11-Jan-2019	Cash credit	Long Term	109.00	ACUITE BBB+ (Indicative)
01-Nov-2017	Cash credit	Long Term	109.00	ACUITE BBB+/ Stable (Upgraded)
	Term Loan	Long Term	4.91	ACUITE BBB/ Stable (Withdrawn)
18-Mar-2017	Cash credit	Long Term	100.00	ACUITE BBB/ Stable (Reaffirmed)
	Term Loan	Long Term	4.91	ACUITE BBB/ Stable (Reaffirmed)
	Proposed Long Term Loan	Long Term	4.09	ACUITE BBB/ Stable (Assigned)

### \*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	109.00	ACUITE BBB+ (Withdrawn)

### Contacts

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### About Acuité Ratings & Research:

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