

Press Release

Odisha State Civil Supplies Corporation Limited

April 01, 2019

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 12000.00 Cr. (Amount enhanced from Rs 8500.00 cr)
Long Term Rating	ACUITE A- / Outlook: Stable (Re-affirmed)
Short Term Rating	ACUITE A1 (Re-affirmed)

* Refer Annexure for details

Rating Rationale

Acuité has re-affirmed long term rating of '**ACUITE A-**' (read as **ACUITE A minus**) and short term rating of '**ACUITE A1**' (read as **ACUITE A one**) on the Rs 11,788 crore bank facilities of Odisha State Civil Supplies Corporation Limited (OSCSCL). Acuité has also assigned short term rating of '**ACUITE A1**' (read as **ACUITE A one**) to the Rs. 212.00 crore bank facilities of Odisha State Civil Supplies Corporation Limited (OSCSCL). The outlook is '**Stable**'.

Acuité has also withdrawn short term rating of '**ACUITE A1**' (read as **ACUITE A one**) on the Rs 200.00 crore bank facilities of Odisha State Civil Supplies Corporation Limited (OSCSCL).

Odisha State Civil Supplies Corporation Limited (OSCSCL) was set up in 1980 as a wholly owned undertaking of the Government of Odisha (GoO) to procure paddy and supply rice under the Public Distribution System (PDS) in Odisha. The ratings continue to draw support from the 100 percent ownership of the Odisha government and systemic importance of OSCSCL to GoO.

Analytical Approach

Acuité has taken a standalone view of the above entity. The rating has been notched up based on the ongoing support from GoO to OSCSCL.

Key Rating Drivers

Strengths

• Ongoing support from the Government of Odisha:

OSCSCL is responsible for procurement of paddy and supply of rice to the PDS in Odisha as also for purchase, procurement, storage and delivery of stock to retail dealers in the state. OSCSCL is spread across 30 districts in Odisha and accounts for nearly 60 percent of the paddy procured in Odisha. The rating centrally factors in ongoing support from GoO to OSCSCL over the medium term. OSCSCL is a systemically important entity and caters to over 80 percent of the population in the state. As a result, OSCSCL continues to receive operational, managerial and financial support from GoO from time to time. OSCSCL is also the nodal agency for several schemes of GoO (Annapurna, APL Rice and APL wheat scheme). OSCSCL provides food grains (mainly rice) to the PDS at a concessional rate. Any shortfall is compensated in the form of transfer payments (subsidies and grants) from the state government as also the center. The Board of Directors of OSCSCL comprises appointees by the state government. The operations are supervised by the Food Supplies and Consumer Welfare Department of the GoO.

Odisha has been one of the fastest growing states in India with gross state domestic per capita grew at a CAGR of 10.39 percent during 2011-12 to 2017-18. While the state's revenue surplus continues to be at 2.13 percent (revised estimates), its fiscal deficit was at (3.46 percent) in 2017-18 (revised

estimates). The GoO has significantly increased its focus on increasing industrial development in the state. It is also focusing on asset creation towards infrastructure and social sectors.

Acuite also expects GoO to continue to support the corporation over the medium term on account of the adverse implications of default by OSCSCL on the overall credit profile and resource mobilization ability. Any default shall impinge upon the ability of GoO and its undertakings' to mobilize resources from financial institutions and capital markets. OSCSCL is able to mobilize resources from banks and financial institutions at a low cost owing to the 100 percent ownership of GoO. The corporation avails facilities of about Rs.12,000.00 crore from banks. Acuite believes that OSCSCL will continue to receive financial and operational support from GoO over the medium term owing to the 100 percent ownership of GoO, socio-economic importance of OSCSCL to Odisha and adverse implications of its default on the credit profile of GoO and its undertakings. Changes in the ownership pattern, deterioration in the credit profile of GoO and/or challenges in receiving timely financial support can adversely impact OSCSCL's credit risk profile over the near to medium term.

Weaknesses

- **Weak standalone financial risk profile:**

OSCSCL is required to distribute rice and other grains at a concessional rate and free of cost to certain sections of society. In order to serve the welfare objectives, the corporation continues to be dependent on timely infusion of funds by the central and state government to service its debt obligations in a timely manner. OSCSCL reported a moderate net worth base of Rs.18.86 crore as on 31 March, 2018 (provisional) and as on 31 March, 2017. The net worth level remained at the same level on account of zero PAT in FY 2018.

The gearing stood at 369.78 times on 31 March, 2018 (provisional) as compared to 395.88 times on 31 March, 2017 on account of the elevated debt levels required to fund its inventory of rice and other commodities. The total debt levels stood at Rs. 6973.40 crore on 31 March, 2018 (provisional) from Rs.7,465.64 crore on 31 March, 2017. OSCSCL's borrowing comprises working capital debt from various financial institutions. Acuite expects OSCSCL's financial risk profile to remain subdued over the medium term. The corporation is expected to remain dependent on timely support from GoO to service its debt obligations over the near to medium term.

Exposure to regulatory risks:

Acuite believes that changes in the regulatory framework surrounding rice and grain distribution and the PDS system can adversely affect OSCSCL's operations as also its credit profile over the near to medium term.

Liquidity:

The company has moderate liquidity profile marked by net cash accruals of Rs.0.75 crore during FY 2018 against nil fixed repayment obligation. The company's operations are working capital intensive as marked by gross current asset (GCA) days of 386 in FY 2018 emanates from high inventory and debtor days of 247 and 124 respectively in FY 2018. The current ratio of OSCSCL stands at 1.01 times as on March 31, 2018. Further, the moderate liquidity is marked by almost full utilization of its fund based limit.

Outlook: Stable

Acuite believes that OSCSCL will maintain a stable outlook on account of the continued financial and operational support from the GoO. The outlook may be revised to 'Positive' in case of improvement in the fiscal deficit indicators coupled with decline in overall debt levels of GoO. The outlook may be revised to 'Negative' in case of delays in receiving support from GoO or adverse changes in its financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	8709.47	10245.96	8710.06
EBITDA	Rs. Cr.	468.06	501.74	574.13
PAT	Rs. Cr.	0.00	0.00	0.00
EBITDA Margin	(%)	5.37	4.90	6.59
PAT Margin	(%)	0.00	0.00	0.00
ROCE	(%)	6.53	7.83	8.31
Total Debt/Tangible Net Worth	Times	369.78	395.88	380.08
PBDIT/Interest	Times	1.00	1.00	1.00
Total Debt/PBDIT	Times	14.73	12.82	12.23
Gross Current Assets (Days)	Days	386	330	396

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Criteria for State Government support - <https://www.acuite.in/view-rating-criteria-26.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
24-Sept-2018	Cash Credit	Long Term	7500.00	ACUITE A-/Stable (Re-affirmed)
	Short Term Loan	Short Term	1000.00	ACUITE A1 (Re-affirmed)
13-Jun-2017	Cash Credit	Long Term	7500.00	ACUITE A-/Stable (Re-affirmed)
	Short Term Loan	Short Term	1000.00	ACUITE A1 (Re-affirmed)
08-Mar-2016	Cash Credit	Long Term	7500.00	ACUITE A-/Stable (Assigned)
	Short Term Loan	Short Term	1000.00	ACUITE A1 (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	9788.00	ACUITE A- / Stable (Re-affirmed)
Short-Term loan	Not Applicable	Not Applicable	Not Applicable	2000.00	ACUITE A1 (Re-affirmed)
Proposed short term loan	Not Applicable	Not Applicable	Not Applicable	212.00	ACUITE A1 (Assigned)

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About Acuité Ratings & Research:

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