

Press Release

Odisha State Civil Supplies Corporation Limited

March 23, 2023



Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	4580.00	ACUITE A Stable Assigned	-
Bank Loan Ratings	15280.00	ACUITE A Stable Reaffirmed	-
Bank Loan Ratings	1100.00	-	ACUITE A1 Assigned
Bank Loan Ratings	4900.00	-	ACUITE A1 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	25860.00	-	-

Rating Rationale

Acuite has assigned and reaffirmed the long- term rating of '**ACUITE A**' (read as **ACUITE A**) and the short-term rating of '**ACUITE A1**' (read as **ACUITE A one**) to the Rs.25,860.00 Cr bank facilities of Odisha State Civil Supplies Corporation Limited (OSCSCL). The outlook remains '**Stable**'.

Rating Rationale

The rating considers the significant support from the Central Government to OSCSCL by compensating for the entire losses of the company after taking into account all the revenue generated and expenses incurred in the form of subsidies and grants. Further, the rating continues to reflect the strong financial and operational linkage of OSCSCL with State Government of Odisha (GoO), as the company is strategically important to the state and it acts as a nodal agency for distribution of rice and food grain to weaker section of the society. However, these strengths are partly offset by OSCSCL's weak financial profile and high working capital requirement.

About the Company

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. OSCSCL acts as an agent of the Government of Odisha and handles the responsibilities of purchase, procurement, storage and delivery of the stock to the retail dealers.

Standalone (Unsupported) Rating

B+/Stable

Analytical Approach

Acuite has considered the standalone business and financial risk profile of OSCSCL and notched up the standalone rating by factoring in the strong operational and financial

support extended by GoO. This is because GoO holds the 100 percent stake in OSCSCL and board comprises representatives from GoO.

Key Rating Drivers

Strengths

Support from the government of Odisha

OSCSCL is responsible for procurement of paddy and supply of rice to Odisha under public distribution system. OSCSCL acts as an agent of the Government of Odisha (GoO) and Press Release ODISHA STATE CIVIL SUPPLIES CORPORATION LIMITED Rating Assigned and Reaffirmed Release ODISHA STATE CIVIL SUPPLIES CORPORATION LIMITED Rating Assigned and Reaffirmed handles the responsibilities of purchase, procurement, storage and delivery of the stock to the retail dealers in the state. OSCSCL is also the nodal agency for several schemes of GoO (Annapurna, APL Rice and APL wheat scheme). OSCSCL distributes rice and other grains at a concessional rate and free of cost to weaker sections of society. The Central and state Government extends financial support to the company at regular interval in order to meet the losses. OSCSCL is spread across 30 districts in Odisha and accounts for nearly 60 percent of the paddy procured in Odisha. OSCSCL is a systemically important entity and caters to over 80 percent of the population in the state. Hence, in the absence of the company's operations, procurement from farmers will get impacted. As a result, OSCSCL continues to receive operational, managerial and financial support from GoO from time to time. 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. Hence, the rating derives comfort from the ongoing support in the form of subsidy from GoO to OSCSCL over the medium term.

Odisha has been one of the fastest-growing states in India and is the sixteenth-largest state economy in India with gross state domestic product (GSDP) growing at 6 per cent in 2021-22. In 2021-22, as per the revised estimates, fiscal deficit is expected to be 0.38% of GSDP, significantly lower than the budget estimate of 3.49% of GSDP. Further, in 2021-22, the state is estimated to observe a revenue surplus of 3.29% of GSDP as per revised estimates, higher than revenue surplus of 1.03% of GSDP estimated at the budget stage. Moreover, in the time of pandemic, in FY21 RE, the debt as a proportion of GSDP at 20.9 per cent is better than most states of India. GoO has significantly increased its focus on industrial development in the state given the availability of mineral resources, which gets reflected from the high growth in FDI inflows onto the state.

Acuité expects GoO to continue to support OSCSCL 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.

Healthy scale of operations

OSCSCL has operations in all 30 districts of Orissa. Paddy is procured through commission agents like Primary Agriculture Co-operative Societies (PACS), Women Selfhelp groups (WSHGS) and Pani Panchayats (PPs). Total number commission agents associated with the company is 2579. The paddy directly goes to custom millers for processing (Number of rice millers registered with the company is 1558). The revenue of the company (including subsidy) stood at Rs 17482.10 Cr in FY22 (Provisional) as compared Rs 12238.70 Cr in FY21 (Provisional).

Weaknesses

Weak financial risk profile

The weak financial risk profile of the company is marked by its moderate net worth, high gearing ratio and weak debt protection metrics. The net worth stood at Rs.31.56 Cr as on 31st March 2022 (Provisional). Gearing of the company stood at 601.41 times as on 31st March 2022(Provisional) as against 468.64 times as on 31st March, 2021(Provisional). The interest

coverage ratio stood weak at 1.00 times as on 31st March, 2022(Provisional).Acuité believes the financial risk profile will continue to remain weak because of high dependence on external debt.

Working capital intensive nature of operations

The working capital intensive nature of operations of the company is marked by the high Gross Current Asset (GCA) days of 464 days as on March 31, 2022 (Provisional) as against 226 days as on March 31, 2021 (Provisional). The high GCA days is high primarily on account of a high proportion of Other Current Assets consisting of amount receivables from Government and Government agencies and advances to suppliers. Further, the debtor days stood high at 228 days as on March 31, 2022 (Provisional) as compared to 89 days in as on March 31, 2021 (Provisional). The inventory days stood high at 303 days as on March 31, 2022 (Provisional) as compared to 456 days as on March 31, 2021 (Provisional). Going forward, Acuité believes that the working capital operations of the company will remain at same level as evident from stretched collection mechanism and inventory levels over the medium term.

ESG Factors Relevant for Rating

Not Applicable

Rating Sensitivities

- Timely Support from the Government of Odisha
- Increase in efficiency of working capital management
- Improvement in financial risk profile by lower reliance on borrowings

Material covenants

None

Liquidity Position: Adequate

OSCSCSCL has adequate liquidity profile reflected from net cash accrual of Rs 2.49 Cr in FY22(Provisional) against no debt repayment obligation. The company has high cash & bank balance of Rs. 552.89 Cr as on March 31, 2022 (Provisional). The current ratio stood at 1.00 times as on March 31, 2022 (Provisional) as against 1.02 as on March 31, 2021 (Provisional). However, the company has high working capital requirement as reflected from its GCA days of 464 days as on March 31, 2022 (Provisional) as against 226 days as on March 31, 2021 (Provisional). Acuité believes that the liquidity of the company is likely to remain adequate over the medium term backed by steady inflow of subsidy from Central government and GoO.

Outlook: Stable

Acuité believes that OSCSCSCL 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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Provisional)
Operating Income	Rs. Cr.	17482.10	12238.70
PAT	Rs. Cr.	0.00	0.00
PAT Margin	(%)	0.00	0.00
Total Debt/Tangible Net Worth	Times	601.41	468.64

PBDIT/Interest	Times	1.00	1.00
----------------	-------	------	------

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Group And Parent Support: <https://www.acuite.in/view-rating-criteria-47.htm>
- Public Finance - State Government Ratings: <https://www.acuite.in/view-rating-criteria-26.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
23 Dec 2022	Cash Credit	Long Term	1700.00	ACUITE A Stable (Upgraded from ACUITE A- Stable)
	Cash Credit	Long Term	330.00	ACUITE A Stable (Assigned)
	Cash Credit	Long Term	354.00	ACUITE A Stable (Assigned)
	Short Term Loan	Short Term	4900.00	ACUITE A1 (Reaffirmed)
	Cash Credit	Long Term	146.00	ACUITE A Stable (Upgraded from ACUITE A- Stable)
	Cash Credit	Long Term	746.00	ACUITE A Stable (Assigned)
	Cash Credit	Long Term	1254.00	ACUITE A Stable (Upgraded from ACUITE A- Stable)
	Cash Credit	Long Term	4000.00	ACUITE A Stable (Upgraded from ACUITE A- Stable)
	Cash Credit	Long Term	1000.00	ACUITE A Stable (Upgraded from ACUITE A- Stable)
	Cash Credit	Long Term	1250.00	ACUITE A Stable (Assigned)
	Working Capital Demand Loan	Long Term	4500.00	ACUITE A Stable (Upgraded from ACUITE A- Stable)
	Working Capital Demand Loan	Long Term	4000.00	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	3500.00	ACUITE A- Stable (Reaffirmed)

01 Oct 2021	Cash Credit	Long Term	1000.00	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	1700.00	ACUITE A- Stable (Reaffirmed)
	Short Term Loan	Short Term	5500.00	ACUITE A1 (Reaffirmed)
	Proposed Bank Facility	Short Term	754.00	ACUITE A1 (Reaffirmed)
	Cash Credit	Long Term	146.00	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	900.00	ACUITE A- Stable (Reaffirmed)
10 Jun 2020	Cash Credit	Long Term	9500.00	ACUITE A- Stable (Reaffirmed)
	Short Term Loan	Short Term	2500.00	ACUITE A1 (Reaffirmed)
	Working Capital Demand Loan	Short Term	2000.00	ACUITE A1 (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Odisha State Co-operative Bank Ltd.	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	1000.00	ACUITE A Stable Reaffirmed
UCO Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	1700.00	ACUITE A Stable Reaffirmed
Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	4000.00	ACUITE A Stable Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	1254.00	ACUITE A Stable Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	746.00	ACUITE A Stable Reaffirmed
Utkal Gramin Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	146.00	ACUITE A Stable Reaffirmed
Utkal Gramin Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	100.00	ACUITE A Stable Assigned
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	1000.00	ACUITE A Stable Assigned
Odisha Gramya Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	70.00	ACUITE A Stable Assigned
Punjab and Sind Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	1400.00	ACUITE A Stable Assigned
Bank of Maharashtra	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	1000.00	ACUITE A Stable Assigned
Indian Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	1250.00	ACUITE A Stable Reaffirmed
Odisha Gramya Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	330.00	ACUITE A Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE A Stable Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	354.00	ACUITE A Stable Reaffirmed
National Bank for Agriculture	Not	Short-	Not	Not	Not			ACUITE A1

and Rural Development (NABARD)	Applicable	term Loan	Applicable	Applicable	Applicable	Simple	4900.00	Reaffirmed
National Bank for Agriculture and Rural Development (NABARD)	Not Applicable	Short-term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	1100.00	ACUITE A1 Assigned
Punjab National Bank	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	Simple	4500.00	ACUITE A Stable Reaffirmed
Punjab National Bank	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	Simple	1000.00	ACUITE A Stable Assigned

Contacts

Analytical	Rating Desk
Pooja Ghosh Vice President-Rating Operations Tel: 022-49294041 pooja.ghosh@acuite.in Kaustav Saha Manager-Rating Operations Tel: 022-49294065 kaustav.saha@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.