

Press Release

ODISHA STATE CIVIL SUPPLIES CORPORATION LIMITED

December 30, 2023

Rating Assigned and Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term
Bank Loan Ratings	10065.00	ACUITE A Stable Assigned	-
Bank Loan Ratings	19860.00	ACUITE A Stable Reaffirmed	-
Bank Loan Ratings	6000.00	-	ACUITE A1 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	35925.00	-	-

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.35925.00 Cr bank facilities of Odisha State Civil Supplies Corporation Limited (OSCSCL). The outlook remains 'Stable'.

Rationale for Rating Reaffirmation and Assignment

The rating reaffirmation considers the support from the Central Government/GoO for 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 the State Government of Odisha (GoO), as the company is strategically important to the state and acts as a nodal agency for the distribution of rice and food grains to weaker sections of society. However, these strengths are partly offset by OSCSCL's weak financial profile and high working capital requirement.

Further, as learned from the management, there has been a delay in the receipt of subsidies since July 2023, which earlier used to be received at frequent intervals. The delays have caused the corporation to incur additional debt to manage its operations. However, the management expects to receive the same by the end of the financial year FY2024.

Going ahead, any significant delays in the receipt of subsidies leading to further weakening of the financial risk profile of the corporation will remain key rating monitorable.

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.

Unsupported Rating

Acuite 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

OSCSCCL is responsible for procurement of paddy and supply of rice to Odisha under public distribution system. OSCSCCL acts as an agent of the Government of Odisha (GoO) and handles the responsibilities of purchase, procurement, storage and delivery of the stock to the retail dealers in the state. OSCSCCL is also the nodal agency for several schemes of GoO (Annapurna, APL Rice and APL wheat scheme). OSCSCCL 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. OSCSCCL is spread across 30 districts in Odisha and accounts for nearly 60 percent of the paddy procured in Odisha. OSCSCCL 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, OSCSCCL continues to receive operational, managerial and financial support from GoO from time to time. The Board of Directors of OSCSCCL 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 OSCSCCL over the medium term.

Healthy scale of operations

OSCSCCL 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 16835.06 Cr in FY2023 (Provisional) as compared Rs.14322.82 Cr in FY2022.

Weaknesses

Weak financial risk profile

The weak financial risk profile of the company is marked by its moderate net worth, high gearing level and weak debt protection metrics. The net worth stood at Rs.31.50 Cr as on 31st March 2023 (Provisional). Gearing of the company improved, though remained at high levels at 509.66 times as on 31st March 2023(Provisional) as against 611.02 times as on 31st March 2022 on account of decrease in short-term debt. Total debt of the company stood at Rs.16056.18 Cr as of 31st March 2023 (Prov) against Rs.19101.70 Cr as of 31st March 2022. The interest coverage ratio stood weak at 1.00 times as on 31st March 2023(Provisional).

Acuite believes that the financial risk profile will continue to remain weak over the medium term on account of additional debt being undertaken in the short term due to delays in receiving the subsidy from the government reflecting high dependence on external debt.

Working capital intensive nature of operations

The working capital intensive nature of operations of the corporation are marked by high Gross Current Asset (GCA) days of 624 days as on March 31, 2023 (Provisional) as against 588 days as on March 31, 2022. The 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 543 days as on March 31, 2023 (Provisional) as compared to 133 days as on March 31, 2022. The inventory days stood high at 252 days as on March 31, 2023 (Provisional) as compared to 333 days as on March 31, 2022. Going ahead, Acuite believes that the working capital operations of the company will remain at similar levels as evident from stretched collection mechanism and high inventory levels over the medium term.

ESG Factors Relevant for Rating

Not Applicable

Rating Sensitivities

- Significant delays in the receipt of subsidies from the government, leading to further loading of debt and weakening of financial risk profile.
- Increase in efficiency in working capital management.
- Improvement in financial risk profile by lowering reliance on borrowings.

All Covenants

None

Liquidity Position

Adequate

OSCSCL has adequate liquidity profile as reflected by net cash accruals of Rs 2.71 Cr in FY2023(Provisional) against no debt repayment obligation. The company has cash & bank balance of Rs.95.00 Cr as on March 31, 2023 (Provisional). The current ratio stood at 1.00 times as on March 31, 2023 (Provisional) as against 1.05 times as on March 31, 2022. However, the company has high working capital requirement as reflected from its GCA days of 624 days as on March 31, 2023 (Provisional) as against 588 days as on March 31, 2022.

Acuite believes that the liquidity of the company is likely to remain adequate over the medium term backed by timely inflow of subsidy from Central government.

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 significant delays in receiving support from GoO or adverse changes in its financial risk profile.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	16835.06	14322.83
PAT	Rs. Cr.	0.00	0.00
PAT Margin	(%)	0.00	0.00
Total Debt/Tangible Net Worth	Times	509.66	611.02
PBDIT/Interest	Times	1.00	1.00

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

Not Applicable

Any other information

None

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, Acuité 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 Mar 2023	Cash Credit	Long Term	4000.00	ACUITE A Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	10.00	ACUITE A Stable (Assigned)
	Short Term Loan	Short Term	4900.00	ACUITE A1 (Reaffirmed)
	Cash Credit	Long Term	1000.00	ACUITE A Stable (Reaffirmed)
	Working Capital Demand Loan	Long Term	4500.00	ACUITE A Stable (Reaffirmed)
	Cash Credit	Long Term	1700.00	ACUITE A Stable (Reaffirmed)
	Cash Credit	Long Term	1000.00	ACUITE A Stable (Assigned)
	Cash Credit	Long Term	1254.00	ACUITE A Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	354.00	ACUITE A Stable (Reaffirmed)
	Short Term Loan	Short Term	1100.00	ACUITE A1 (Assigned)
	Cash Credit	Long Term	70.00	ACUITE A Stable (Assigned)
	Cash Credit	Long Term	1000.00	ACUITE A Stable (Assigned)
	Cash Credit	Long Term	146.00	ACUITE A Stable (Reaffirmed)
	Cash Credit	Long Term	100.00	ACUITE A Stable (Assigned)
	Cash Credit	Long Term	1400.00	ACUITE A Stable (Assigned)
	Cash Credit	Long Term	330.00	ACUITE A Stable (Reaffirmed)
	Working Capital Demand Loan	Long Term	1000.00	ACUITE A Stable (Assigned)
	Cash Credit	Long Term	1250.00	ACUITE A Stable (Reaffirmed)
	Cash Credit	Long Term	746.00	ACUITE A Stable (Reaffirmed)
	Cash Credit	Long Term	1700.00	ACUITE A Stable (Upgraded from ACUITE A- Stable)
23 Dec 2022	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)
		Long		ACUITE A Stable (Upgraded from

	Cash Credit	Term	4000.00	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)
01 Oct 2021	Working Capital Demand Loan	Long Term	4000.00	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	3500.00	ACUITE A- Stable (Reaffirmed)
	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	3000.00	ACUITE A Stable Reaffirmed
Utkal Gramin Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	246.00	ACUITE A Stable Reaffirmed
Punjab and Sind Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	1400.00	ACUITE A Stable Reaffirmed
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	400.00	ACUITE A Stable Reaffirmed
Utkal Gramin Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	154.00	ACUITE A Stable Assigned
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	3500.00	ACUITE A Stable Assigned
UCO Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	1300.00	ACUITE A Stable Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	1364.00	ACUITE A Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	2611.00	ACUITE A Stable Assigned
National Bank for Agriculture and Rural Development (NABARD)	Not Applicable	Short-term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	6000.00	ACUITE A1 Reaffirmed
Punjab National	Not Applicable	Working Capital Demand	Not available	Not available	Not available	Simple	5500.00	ACUITE A Stable

Bank		Loan (WCDL)						Reaffirmed
Punjab National Bank	Not Applicable	Working Capital Demand Loan (WCDL)	Not available	Not available	Not available	Simple	2500.00	ACUITE A Stable Assigned

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in
Pradeep Singh Senior Analyst-Rating Operations Tel: 022-49294065 pradeep.singh@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.

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