

Press Release

Saaj Agro Foods Private Limited

November 26, 2019

Rating Upgraded



Total Bank Facilities Rated*	Rs.9.90 Cr.
Long Term Rating	ACUITE B/ Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Acuite has upgraded the long-term rating to '**ACUITE B**' (read as **ACUITE B**) and the short term rating to '**ACUITE A4**' (read as **ACUITE A four**) from '**ACUITE D**' (read as **ACUITE D**) to the Rs.9.90 crore bank facilities of Saaj Agro Foods Private Limited (SAFPL). The outlook is '**Stable**'.

The upgrade is on account of timely servicing of the debt repayment obligation and curing of the default. Further, the business and financial risk profile of the company have shown an improvement. The company booked revenue of Rs. 9.10 crore with operating margin of 9.37 percent in FY2019.

Kolkata-based, Saaj Agro Foods Private Limited (SAFPL) was incorporated in 2014 and started its operations in 2018. The company is engaged in manufacturing of raw non-basmati parboiled rice. SAFPL is promoted by Mr. Sushil Kumar Agarwal and Ms. Akshita Saraf Agarwal. The manufacturing unit is located in Burdwan in West Bengal. The installed capacity of the plant is 6 tonnes per hour and the average utilization is about 75 percent.

Analytical Approach

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

Key Rating Drivers

Strengths

• Proximity to raw materials

Since the manufacturing facility is located at West Bengal, one of the major rice producing states in India, the company enjoys locational advantage and proximity to raw material, paddy.

• Improvement in financial risk profile

The company commenced its operations in 2018. The net worth improved to Rs. 4.07 crore in FY2019 as compared to Rs. 2.30 crore in FY2018 due to infusion of capital by the promoters. The gearing (debt-to-equity) levels improved marginally to 2.06 times in FY2019 as compared to 2.32 times in FY2018. The interest coverage ratio improved to 1.95 times in FY2019 as compared to (0.26) times in FY2018. The total debt of Rs. 8.38 crore in FY2019 consisted of term loan of Rs. 5.14 crore and working capital borrowings of Rs. 3.24 crore. Total outside liabilities to tangible net worth (TOL/TNW) stood at 2.34 times as on 31 March 2019 as against 2.39 times as on 31 March 2018.

The revenues of the company improved to Rs. 9.10 crore in FY2019 as against Rs. 0.03 crore in FY2018 and the operating margins improved to 9.37 percent as against (1.49) times respectively. The net cash accruals to total debt ratio for FY2019 was weak at 0.05 percent.

Acuite believes that the financial risk profile of the company is likely to remain average over the medium term, on account of high gearing and modest debt protection metrics.

Weaknesses

• No established track record of operations

The company was incorporated in 2014 and started its operations in 2018. The promoters of the company, Mr. Sushil Kumar Agarwal and Ms. Akshita Saraf Agarwal have experience of about a decade in the steel industry.

• Susceptibility of operating margins to volatility in raw material prices

The production of rice being a seasonal crop, is highly dependent upon monsoon. Inadequate rainfall affects the availability of paddy in adverse weather conditions. Further, paddy prices are highly regulated by the government through MSP (Minimum Support Price). However, the purchase and selling prices are dependant on the prevailing demand-supply situation restricting bargaining power with suppliers and customers. Any adverse movement of raw material prices further impacts profitability.

Material Covenants

None

Liquidity position: Stretched

The company has stretched liquidity marked by low net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.0.38 crore for FY2019, with debt repayment obligations of Rs.0.74 crore for the same period. The cash accruals of the company are estimated to remain in the range of around Rs.0.38 crore to Rs.0.59 crore during 2020-22 against debt repayment obligations of Rs. 1.06 crore each year in the same period. The company's working capital operations are intensive, marked by GCA of 188 days for FY2019. The company maintains cash and bank balances of Rs.0.04 crore as on 31 March, 2019. The current ratio stood at 0.94 times as on 31 March 2019. Acuite believes that the liquidity of the company is likely to remain stretched over the medium term on account of low cash accruals against debt repayments over the medium term.

Outlook: Stable

Acuite believes that the company will maintain a 'Stable' outlook on account of experienced management and locational advantage. The outlook may be revised to 'Positive' in case of significant improvement in working capital operations while, maintaining revenues and profitability. Conversely, the outlook may be revised to 'Negative' in case of significant decline in scale of operations or profitability or significant elongation in working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	9.10	0.03	0.20
EBITDA	Rs. Cr.	0.85	0.00	0.00
PAT	Rs. Cr.	(0.03)	0.00	0.00
EBITDA Margin	(%)	9.37	(1.49)	1.23
PAT Margin	(%)	(0.38)	(7.30)	0.60
ROCE	(%)	4.38	(0.01)	0.52
Total Debt/Tangible Net Worth	Times	2.06	2.32	0.35
PBDIT/Interest	Times	1.95	(0.26)	3.24
Total Debt/PBDIT	Times	9.80	(11,385.27)	99.22
Gross Current Assets (Days)	Days	188	15,621	92

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.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>

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-Apr-2019	Term Loan	Long term	5.80	ACUITE D (Downgraded from ACUITE B-/Stable) (Indicative)*
	Cash Credit	Long term	3.80	ACUITE D (Downgraded from ACUITE B-/Stable) (Indicative) *
	Bank Guarantee	Short term	0.30	ACUITE D (Downgraded from ACUITE A4) (Indicative)*
12-Feb-18	Term Loan	Long term	5.80	ACUITE B-/Stable (Assigned)
	Cash Credit	Long term	3.80	ACUITE B-/Stable (Assigned)
	Bank Guarantee	Short term	0.30	ACUITE A4 (Assigned)

*The issuer did not co-operate; based on best available information.

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term Loan	Not Applicable	Not Applicable	Not Applicable	5.80	ACUITE B/ Stable (Upgraded)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.80	ACUITE B/ Stable (Upgraded)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.30	ACUITE A4 (Upgraded)

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About Acuité Ratings & Research:

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