

Press Release

SANJAY GRAIN PRODUCTS PRIVATE LIMITED

March 16, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 43.20 Cr.
Long Term Rating	SMERA BB / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB**' (read as **SMERA BB**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 43.20 crore bank facilities of SANJAY GRAIN PRODUCTS PRIVATE LIMITED. The outlook is '**Stable**'.

Sanjay Grain Products Pvt Ltd (SGPPL) was incorporated in May 1997 by Mr. Deepak Kumar Mittal and his brother, Mr. Sanjay Kumar Mittal, of Raipur, Chhattisgarh. The company is engaged in milling and processing of rice, with an installed capacity of 26,400 MTPA at Raipur. The company sells its processed rice under the name '36 Bhog', 'Ladla Beta', 'Maharathi' and 'Sunultra'. SGP is also involved in trading of pulses, ferro silicon, silico manganese, and boric acid.

Key Rating Drivers

Strengths

- Established track record of operations along with experienced management**

SGPPL was incorporated in the year 1997 as a private limited company by Mr. Deepak Kumar Mittal and his brother Mr. Sanjay Kumar Mittal of Raipur, Chhattisgarh. The promoters are having more than two decades of experience in agro trading and processing industry. Mr. Deepak Kr. Mittal looks after the overall operations of the company and Mr. Sanjay Kumar Mittal looks after the marketing activities of the company. They are well supported by a team of experienced personnel.

- Proximity to raw materials**

SGP's rice processing plant is located in Raipur, Chhattisgarh, which is in the vicinity to a major rice growing area of the region, thus, resulting in logistic advantage. The entire raw-material requirement is met locally from the farmers (or local agents) helping the company to save on transportation cost.

Weaknesses

- Average Financial Risk profile**

The financial risk profile of the company is moderate marked by low networth, high gearing and moderate debt protection measures. The net worth of the company stands at Rs. 9.69 crore as on 31st March, 2017 as against Rs. 8.39 crore in the previous year. The gearing stood at high levels of 2.02 times as on March 31st 2017 as against 2.61 times in the previous year. TOL/TNW is high at 2.81 times as on FY 2017 as against 3.77 times as on FY 2016. The interest coverage ratio stood at 2.50 times as on FY 2017 as against 3.76 times as on FY 2016. NCA/TD ratio stood at 0.11 times as on FY 2017 as against 0.06 times as on FY2016.

- Working Capital intensive nature of operations**

The company is having working capital intensive nature of operations marked by gross current asset (GCA) days of 105 days in FY 2017 as against 121 days in the previous year. The debtor days stood at 40 days in FY 2016-17 as against 78 days in FY15-16.

- Agro climatic risks and Tender based nature of business**

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Paddy which is the main raw material required for rice is a seasonal crop and the production of the same is highly dependent upon monsoon season. Thus inadequate rainfall may affect the availability of paddy in adverse weather conditions. Also the revenue of the company is dependent on the quantum of tenders received from the government.

• **Competitive and fragmented nature of rice milling business**

Rice is a highly competitive industry due to low entry barriers which results in intense competition from both the organized as well as unorganized players in the industry.

Analytical Approach

SMERA has taken standalone financials of Sanjay Grain Products Private Limited

Outlook: Stable

SMERA believes that outlook for SGPPL will remain stable over medium term on account of management's experience in the rice milling business. The outlook may be revised to 'Positive' if the company achieves higher than expected revenue while maintaining profitability and effectively managing its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of further deterioration in their financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	83.00	81.83	180.09
EBITDA	Rs. Cr.	4.25	2.03	3.68
PAT	Rs. Cr.	0.80	0.62	2.03
EBITDA Margin	(%)	5.12	2.48	2.04
PAT Margin	(%)	0.96	0.76	1.13
ROCE	(%)	9.82	7.45	70.41
Total Debt/Tangible Net Worth	Times	2.02	2.61	0.21
PBDIT/Interest	Times	2.50	3.76	14.86
Total Debt/PBDIT	Times	4.54	10.39	0.41
Gross Current Assets (Days)	Days	105	121	13

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

CARE, vide press release dated February 27, 2018 has declared the ratings of Sanjay Grain Products Private Limited as non-cooperative on account of lack of adequate information required for monitoring of ratings

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

***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	40.00	SMERA BB / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	2.08	SMERA BB / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA A4+
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.12	SMERA BB / Stable

Contacts

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ABOUT SMERA

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