

Press Release

Sanjay Grain Products Private Limited

August 05, 2022



Rating Assigned and Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	1.00	-	ACUITE A4+ Upgraded
Bank Loan Ratings	42.20	ACUITE BB Stable Upgraded	-
Bank Loan Ratings	48.60	ACUITE BB Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	91.80	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

ACUITE has upgraded the long-term rating to '**ACUITE BB**' (read as **ACUITE double B**) from '**ACUITE B+**' (read as **ACUITE B plus**) and the short-term rating to '**ACUITE A4+**' (read as **ACUITE A four plus**) from '**ACUITE A4**' (read as **ACUITE A four**) on the Rs.43.20 Cr bank facilities and has assigned the long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) on the Rs.48.60 Cr bank facilities of Sanjay Grain Products Private Limited (SGPPL). The outlook is '**Stable**'.

SGPPL's rating is driven by the significant revenue growth in FY2022. The rating also factors the long standing operations of the company, experienced management and efficient working capital management. These strengths are, however, offset by the moderate financial risk profile of the company and the competitive industry.

About the Company

Incorporated in 1997, Sanjay Grain Products Private Limited (SGPPL) is based in Chhattisgarh (Raipur). The company is promoted by Mr. Deepak Kumar Mittal and Mr. Sanjay Kumar Mittal. SGPPL is engaged in milling and processing of fortified rice and chana. The processed rice is traded under the name "36 Bhog", "Ladla Beta", "Maharathi" and "Sunultra". SGPPL is also involved in trading of silico manganese. The company generally procures raw paddy from the local mandis and nearby farmers and has a processing unit with an installed capacity of 57600 MTPA at Raipur. The processing unit is utilised to the full.

Analytical Approach

Acuite has considered the standalone financial and business risk profile of Sanjay Grain Products Private Limited (SGPPL).

Key Rating Drivers

Strengths

- **Long standing operations and experienced management**

SGPPL has long standing operations spanning over two decades. The promoters Mr. Deepak Kumar Mittal and Mr. Sanjay Kumar Mittal are having more than two decades of experience in agro trading and processing industry. They are well supported by a team of experienced personnel. The long track of operations of the company and the experienced management has aided the growth of the business and Acuité believes that going forward the company will continue to sustain their performance in the industry.

- **Significant revenue growth in FY2022 backed by healthy order book position**

SGPPL has registered significant growth in the revenues of FY22 and has generated sales of Rs.335.76 Cr (provisional) in FY22 as compared to Rs.183.08 Cr in FY21. The increase in the top line is due to the healthy order book position and its timely execution. Acuité believes that going forward further growth in the scale of operations is expected due to the presence of healthy order book of Rs.408.35 Cr to be executed within FY23.

Weaknesses

- **Moderate financial risk profile**

The moderate financial risk profile of the company is marked by modest albeit improving net worth, high gearing and moderate debt protection metrics. The tangible net worth of the company increased to Rs.14.99 Cr (provisional) as on March 31, 2022 from Rs.13.37 Cr as on March 31, 2021 due to accretion to reserves. Gearing of the company stood at a high level of 3.35 times (provisional) as on March 31, 2022 as against 2.87 times as on March 31, 2021, whereas, Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood high at of 3.90 times (provisional) as on March 31, 2022 as against 2.94 times as on March 31, 2021. The moderate debt protection metrics is marked by Interest Coverage Ratio at 1.72 times (provisional) as on March 31, 2022 and Debt Service Coverage Ratio at 1.42 times (provisional) as on March 31, 2022. Net Cash Accruals/Total Debt (NCA/TD) stood low at 0.04 times (provisional) as on March 31, 2022. Acuité believes that going forward the financial risk profile will remain moderate over the medium term, in the absence of any major debt funded capex plans.

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

Rice milling is a highly competitive industry due to low entry barriers. The industry is marked by the presence of several mid to big size players. The company faces competition from both the organized as well as unorganized players in the industry.

Rating Sensitivities

- Growth in the scale of operations while improving profitability margins
- Elongation in working capital cycle

Material covenants

None

Liquidity Position: Adequate

The company's liquidity is adequate marked by steady net cash accruals of Rs.2.15 Cr (provisional) as on March 31, 2022 against long term debt repayment of Rs.0.48 Cr for the same period. The company has not availed any loan moratorium. The fund based limit of the company is moderately utilized at 42 per cent over the six months ended June, 2022. The cash and bank balances of the company stood at Rs.0.07 Cr (provisional) as on March 31, 2022. The current ratio stood constant at 1.45 times for both FY22 and FY21. Moreover, the working capital management of the company is efficient in nature marked by Gross Current Assets

(GCA) of 71 days (provisional) as on March 31, 2022 as compared to 78 days in 31st March 2021. Acuité believes that going forward the company will maintain adequate liquidity position due to steady accruals.

Outlook: Stable

Acuité believes that the outlook on SGPPL will remain 'Stable' over the medium term on account of the long track record of operations, experienced management and improvement in the business risk profile. The outlook may be revised to 'Positive' in case of significant growth in revenue or operating margins from the current levels. Conversely, the outlook may be revised to 'Negative' in case of a decline in revenue or operating margins, deterioration in financial risk profile or further elongation in its working capital cycle.

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	335.76	183.08
PAT	Rs. Cr.	1.13	0.84
PAT Margin	(%)	0.34	0.46
Total Debt/Tangible Net Worth	Times	3.35	2.87
PBDIT/Interest	Times	1.72	1.71

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

CARE, vide its press release dated October 26, 2021 had denoted the rating of Sanjay Grain Products Private Limited as 'CARE BB-/A4; ISSUER NOT COOPERATING'.

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
01 Nov 2021	Cash Credit	Long Term	40.00	ACUITE B+ (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	2.08	ACUITE B+ (Downgraded and Issuer not co-operating*)
	Proposed Bank Facility	Long Term	0.12	ACUITE B+ (Downgraded and Issuer not co-operating*)
	Bank Guarantee	Short Term	1.00	ACUITE A4 (Downgraded and Issuer not co-operating*)
03 Aug 2020	Term Loan	Long Term	2.08	ACUITE BB- (Issuer not co-operating*)
	Proposed Bank Facility	Long Term	0.12	ACUITE BB- (Issuer not co-operating*)
	Cash Credit	Long Term	40.00	ACUITE BB- (Issuer not co-operating*)
	Bank Guarantee	Short Term	1.00	ACUITE A4+ (Issuer not co-operating*)
	Bank Guarantee	Short Term	1.00	ACUITE A4+ (Issuer not co-operating*)

	Term Loan	Long Term	2.08	ACUITE BB- (Downgraded and Issuer not co-operating*)
	Proposed Bank Facility	Long Term	0.12	ACUITE BB- (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	40.00	ACUITE BB- (Downgraded and Issuer not co-operating*)
14 May 2019	Proposed Bank Facility	Long Term	0.12	ACUITE BB (Issuer not co-operating*)
	Term Loan	Long Term	2.08	ACUITE BB (Issuer not co-operating*)
	Bank Guarantee	Short Term	1.00	ACUITE A4+ (Issuer not co-operating*)
	Cash Credit	Long Term	40.00	ACUITE BB (Issuer not co-operating*)
16 Mar 2018	Cash Credit	Long Term	40.00	ACUITE BB Stable (Assigned)
	Term Loan	Long Term	2.08	ACUITE BB Stable (Assigned)
	Bank Guarantee	Short Term	1.00	ACUITE A4+ (Assigned)
	Proposed Bank Facility	Long Term	0.12	ACUITE BB Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A4+ Upgraded (from ACUITE A4)
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.08	ACUITE BB Stable Upgraded (from ACUITE B+)
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	40.00	ACUITE BB Stable Upgraded (from ACUITE B+)
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	47.92	ACUITE BB Stable Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.12	ACUITE BB Stable Upgraded (from ACUITE B+)
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.68	ACUITE BB Stable Assigned

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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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