



Press Release
Sanjay Grain Products Private Limited
October 26, 2023
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	74.23	ACUITE BB Stable Reaffirmed	-
Bank Loan Ratings	17.57	-	ACUITE A4+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	91.80	-	-

Rating Rationale

ACUITE has reaffirmed the long-term rating to '**ACUITE BB**' (read as **ACUITE double B**) and the short-term rating to '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.91.80 Cr bank facilities of Sanjay Grain Products Private Limited (SGPPL). The outlook is '**Stable**'.

Rationale for Reaffirmation

The ratings factors in the extensive experience of the management in agro-processing operations and established track record of operations. However, these strengths are partially offset by moderate scale of operations of the company as reflected from its declining revenue. The revenue of the company decreased to Rs.224.75 Cr in FY2023 as compared to Rs.338.97 crore in FY2022. The rating further remained constrained by the moderate average financial risk profile along with elongation of working capital cycle.

About the Company

Established in 1997 and headquartered in Raipur, Chhattisgarh, Sanjay Grain Products Private Limited (SGPPL) is led by Mr. Deepak Kumar Mittal and Mr. Sanjay Kumar Mittal. Specializing in the milling and processing of fortified rice and *chana*. SGPPL trades processed rice under the brands "36 Bhog," "Ladla Beta," "Maharathi," and "Sunultra." Additionally, the company also trades in opportunistic trading of silico manganese.

Standalone (Unsupported) Rating

None

Analytical Approach

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

Key Rating Drivers

Strengths

Long operational track record and experienced management

With operations extending over two decades, SGPPL benefits from the extensive experience of its promoters, Mr. Deepak Kumar Mittal and Mr. Sanjay Kumar Mittal, each boasting more than two decades in the agro trading and processing industry. Supported by a seasoned team, the company's long operational history and skilled management have fostered

business growth. The Company has been able to establish long standing relationship with both its customers and suppliers over the long term and has received repeat orders from them. Acuité believes that the company will continue to benefit from the extensive

experience of the management and its established relationship with its customers and suppliers over the medium term.

Weaknesses

Below average financial risk profile

The company's financial risk profile is marked by low albeit improving net worth, high gearing and modest debt protection metrics. The tangible networth of the company stood at Rs.16.58 Cr as on March 31, 2023 from Rs.14.99 Cr as on March 31, 2022 due to accretion of reserves. The gearing of the company stood high at 3.15 times as on March 31, 2023. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 4.14 times as on March 31, 2023. The modest debt protection metrics of the company is marked by Interest Coverage Ratio at 1.47 times as on March 31, 2023 and Debt Service Coverage Ratio at 1.02 times as on March 31, 2023. The Net Cash Accruals/Total Debt (NCA/TD) stood at 0.04 times as on March 31, 2023.

Acuité believes that going forward the financial risk profile will remain below average marked by low net cash accruals leading to marginal improvement in capital structure and modest debt protection metrics over the medium term.

Elongation of working capital cycle

The company's working capital management has elongated as reflected from high Gross Current Assets (GCA) of 106 days in 31st March 2023, albeit high, as compared to 70 days in 31st March 2022. The inventory period stood at 75 days as on March 31st, 2023 as compared to 47 days as on March 31st, 2022. Further, the debtors stood at 29 days in FY2023 compared to 23 days in FY2022. The company has increased its dependence on its suppliers to support the working capital; creditors stood at 19 days as on March 31, 2023, as against 1 day as on March 31, 2022. Acuité believes that the working capital operations of the company will remain at same level as evident from elongation in the inventory cycle, which will remain a key monitorable.

Moderation in scale of operations

In FY2023, the company's revenue experienced a decline, amounting to Rs. 224.75 Cr, compared to Rs. 338.97 Cr in FY2022. Despite receiving numerous orders in the previous financial year, challenges such as unavailability of raw materials contributed significantly to the revenue downturn. As of September 30, 2023, the company achieved a turnover of approximately Rs. 82.00 Cr and holds an unexecuted order book of about Rs. 468.84 Cr. Looking ahead to FY2024, the company anticipates a turnover exceeding Rs. 400 crores, driven by a healthy order book and timely order execution. Although, the operating margin increased to 3.42% in FY2023 from 1.75% in FY2022. The margin improvements were primarily attributed to a decrease in material costs vis-à-vis better realisations. The PAT rose marginally to 0.44% in FY2023 from 0.33% in FY2022. Acuité believes that if the Company is able to convert its current order book to revenues successfully, the Company might sustain its margins over the medium term.

Rating Sensitivities

- Growth in the scale of operations while improving profitability margins
- Further elongation in working capital cycle
- Improvement in capital structure and debt protection metrics

All Covenants

None

Liquidity Position Stretched

The company's liquidity is stretched marked by low net cash accruals of Rs.2.27 Cr as on March 31, 2023 as against long term debt repayment of Rs.2.12 Cr over the same period. Moreover, company's working capital cycle has increased as reflected from increased GCA of 106 days in 31st March 2023 as compared to 70 days in 31st March 2022. Further, the fund-based limit remained utilized at ~13.26 per cent over the six months ended September, 2023.

Also, the current ratio stood low at 1.17 times as on March 31, 2023. Acuité believes that the company's liquidity will remain stretched due to low cash accruals, high working capital requirement and low current ratio over the medium term.

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 established relationship with its customers and suppliers. The outlook may be revised to 'Positive' in case of significant growth in revenue or operating margins, improvement in working capital cycle along with improvement in financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of a further decline in revenue or operating margins, weakening of financial risk profile or further elongation in its working capital cycle.

Other Factors affecting Rating

Not Applicable

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	244.75	338.97
PAT	Rs. Cr.	1.09	1.13
PAT Margin	(%)	0.44	0.33
Total Debt/Tangible Net Worth	Times	3.15	3.35
PBDIT/Interest	Times	1.47	1.72

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

Care vide its press release dated 4th Jan 2023, had rated the company to CARE B+/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

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
05 Aug 2022	Proposed Bank Facility	Long Term	0.68	ACUITE BB Stable (Assigned)
	Cash Credit	Long Term	40.00	ACUITE BB Stable (Upgraded from ACUITE B+)
	Cash Credit	Long Term	2.08	ACUITE BB Stable (Upgraded from ACUITE B+)
	Proposed Bank Facility	Long Term	0.12	ACUITE BB Stable (Upgraded from ACUITE B+)
	Bank Guarantee	Short Term	1.00	ACUITE A4+ (Upgraded from ACUITE A4)
	Cash Credit	Long Term	47.92	ACUITE BB Stable (Assigned)
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	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*)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	3.50	ACUITE A4+ Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	64.39	ACUITE BB Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	14.07	ACUITE A4+ Reaffirmed
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	9.84	ACUITE BB Stable Reaffirmed

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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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