

Press Release

Satyam Balajee Rice Industries Private Limited

23 April, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 312.90 Cr.
Long Term Rating	SMERA BBB+ /Stable
Short Term Rating	SMERA A2+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BBB+** (read as SMERA triple B plus) and short-term rating of '**SMERA A2+**' (read as SMERA A two plus) on the Rs.312.90 crore bank facilities of Satyam Balajee Rice Industries Private Limited (SBRI). The outlook is '**Stable**'.

The Chhattisgarh-based, Satyam Balajee Rice Industries Private Limited (erstwhile known as Satyam Balajee) was established in 1994 by Mr. Purushottam Agarwalla and Mr. Pradeep Agarwalla. The company is engaged in the processing of parboiled and white rice in the non-basmati segment and is a government recognised star export house. SBRI exports its products to Singapore, Switzerland, Austria and U.A.E markets. The company has a total annual rice milling capacity of 105,120 metric tonnes.

Key Rating Drivers

Strengths

- Experienced management and established track record of operations**

The promoters of SBRI have an experience of more than two decades in the rice milling business. The extensive experience of the management has helped the company establish long term relations with suppliers resulting in direct procurement of agricultural produce through local farmers and traders from Chhattisgarh and Andhra Pradesh. Moreover, the experience has also helped in building healthy customer relations outside India, since company is a 100% export oriented unit.

SMERA believes that SBRI will continue to benefit from its established position in the market and experienced management.

- Moderate scale of operations**

SBRI has moderate scale of operations with operating income of Rs.1109.51 crore in FY2017 as against Rs.1043.77 crore in FY2016 and Rs.1734.18 crore in FY2015. Fall in revenue from FY2015 to FY2016 was mainly on account of increased competition from Thailand. The Indian rice demand had fallen due to slashing of price by Thailand government for Thai rice. Thai government had released stock after the abolition of the rice pledging scheme. However, the revenue stabilised in FY2017 due to the stabilisation of supply from Thailand. Further, the company has registered operating revenue of ~ Rs.1173 crore for FY2018 and has an order book of Rs.250 crore which will be executed before May 2018.

- Comfortable financial risk profile**

The comfortable financial risk profile of the company is marked by healthy networth of Rs.93.73 crore as on March 31, 2017 as against Rs.84.61 crore as on March 31, 2016. The debt equity ratio of the company improved to 1.27 times as on March 31, 2017 as against 1.96 times as on March 31, 2016. The total debt is dominated by working capital borrowings of Rs. 118.82 crore as on 31 March, 2017. Moreover, the debt protection metrics remain comfortable as Interest coverage ratio (ICR) stood at 2.48 times for FY2017 and 2.94 times for FY2016. The total outside liabilities to tangible networth (TOL/TNW) improved to 1.40 times in FY2017 over 2.17 times in FY2016.

Going forward, SMERA expects the company to maintain comfortable financial risk profile backed by steady accruals and absence of any major debt funded capex plan.

SMERA Ratings Limited

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- **Efficient working capital management and adequate liquidity**

The company continues to efficiently manage its working capital requirement with Gross Current Asset (GCA) days of 63 for FY2017 compared to 84 in the previous year. The inventory holding period decreased to 38 days in FY2017 from 71 days in FY2016. The receivable days are also comfortable at 25 in FY2017 as against 14 in FY2016. The average bank limit utilization stood at 70-80 percent for the last six months ended March 2018.

SMERA believes that the company will maintain efficient working capital management over the near to medium term on account of adequate availability of funds. Further, the liquidity remains adequate backed by comfortable cash accruals. The net cash accruals for FY2017 stood at Rs.10.70 crore.

Weaknesses

- **Presence in highly competitive & fragmented industry**

SBRI operates in a highly competitive and fragmented rice industry due to the presence of several organised and unorganised players. The high competition and low value addition in the agro processing industry coupled with the risk related with fluctuation in raw material prices has resulted in low operating margin of 2.39 percent for FY2017 as against 3.27 percent in the previous year. The low profitability in EBITDA is followed by PAT margins at 0.82 percent for FY2017 as against 1.31 percent for FY2016.

The company is exposed to risks related to changes in political or economic conditions of the export countries. Any slowdown in the economic conditions may impact the flow of orders. Moreover the company is also exposed to the forex risk however the same is mitigated through forward booking.

- **Agro climatic risks**

Paddy which is the main raw material required for rice is a seasonal crop and the production of the same is highly dependent upon monsoons. Thus inadequate rainfall may affect the availability of paddy in adverse weather conditions.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of SBRI to arrive at the rating.

Outlook: Stable

SMERA believes that the SBRI will maintain its 'Stable' business risk profile owing to the management's extensive experience in the rice milling business, established relationships with customers and comfortable financial risk profile. The outlook may be revised to 'Positive' in case of sustained increase in revenues and profitability while maintaining the working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenues or profitability and accruals or elongation of working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	1,109.51	1,043.77	1,734.18
EBITDA	Rs. Cr.	26.51	34.15	42.57
PAT	Rs. Cr.	9.12	13.65	13.79
EBITDA Margin	(%)	2.39	3.27	2.45
PAT Margin	(%)	0.82	1.31	0.80
ROCE	(%)	10.53	12.65	31.52
Total Debt/Tangible Net Worth	Times	1.27	1.96	2.71
PBDIT/Interest	Times	2.48	2.94	2.12
Total Debt/PBDIT	Times	4.53	4.83	4.43
Gross Current Assets (Days)	Days	63	84	55

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

Not Applicable

Any other information

Not Applicable

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Applicable Criteria

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

Note on complexity levels of the rated instrument
<https://www.smerra.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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	210.00	SMERA BBB+/ Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	74.50	SMERA BBB+/ Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	20.00	SMERA A2+ (Assigned)
Proposed Bank Facilities	Not Applicable	Not Applicable	Not Applicable	8.40	SMERA A2+ (Assigned)

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ABOUT SMERA

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