

Press Release

Satyam Balajee Rice Industries Private Limited

June 14, 2019

Rating Reaffirmed



Total Bank Facilities Rated*	Rs.312.90 Cr.
Long Term Rating	ACUITE BBB+ / Outlook : Stable (Reaffirmed)
Short Term Rating	ACUITE A2+ (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BBB+**' (read as **ACUITE triple B plus**) and short-term rating of '**ACUITE A2+**' (read as **ACUITE A two plus**) to the Rs.312.90 crore bank facilities of Satyam Balajee Rice Industries Private Limited (SBRIPL). 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 four star export house. SBRIPL 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.

Analytical Approach

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

Key Rating Drivers

Strengths

- Experienced promoters and established track record of operations**

The promoters of SBRIPL 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, their experience has also helped in building healthy customer relations outside India, since company is a 100% export oriented unit. Major customers of the company include reputed clientele like Louis Dreyfus, Phoenix Global DMCC and Sat Swiss Agri Trading.

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

- Comfortable financial risk profile**

The financial risk profile of the company is comfortable marked by moderate tangible net worth, debt protection measures and gearing. The net worth of the company stood around Rs.113.07 crore in FY2019 (Prov.) as against Rs.101.72 crore in FY2018. The increase in the networth is mainly on account of accretion to reserves. The company has followed a moderate leverage policy as reflected by average gearing of 1.80 times over the last three years through 2018-19. The gearing stood at 1.99 times as on March 31, 2019 (Prov.). The steady revenue levels coupled with improving operating margins and similar debt levels have resulted in moderate debt protection metrics. Interest Coverage Ratio (ICR) improved to 2.06 times as on March 31, 2019 (Prov.) as against 1.97 times on March 31, 2018. Debt Service Coverage Ratio (DSCR) stood at 1.75 times as on March 31, 2019 (Prov.) as against 1.64 times as on March 31, 2018. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.06 times as on March 31, 2019 (Prov.) as against 0.04 times as on March 31, 2018. Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 2.06 times as on 31 March 2019 (Prov.) as against 2.25 times as on 31 March 2018 and is estimated to improve further over the medium term.

Acuite believes that the financial risk profile of SBRIPL will continue to remain comfortable over the medium term on account of steady scale of operations, improving profitability and average financial policy.

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

The company continues to efficiently manage its working capital requirement with gross current asset (GCA) days at 98 for FY2019 (Prov.) compared to 92 in the previous year. This is mainly due to quick collection of receivables. Further, the liquidity remains adequate because of comfortable cash accruals of Rs.12.94 crores during FY2019 (Provisional) with no repayment obligations. The average cash credit utilization stood at around 65 per cent during the last six months ended April 2019 indicating moderate reliance on working capital borrowings.

Weaknesses

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

The company operates in agro processing industry that is highly competitive and fragmented due to the presence of several organised and unorganised players. The high competition and low value addition in the agro processing industry results in low operating margin at 2.97 percent for FY2019 (Provisional). The low profitability in EBITDA is followed by low PAT margins at 0.97 percent for FY2019 (Provisional).

- **Agro climatic risks and risks related to fluctuation in raw material prices**

Paddy, 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. The company is exposed to the risk related with fluctuation in raw material price.

- **Risk related to economic conditions of the export countries**

The company is engaged in the processing and milling of rice and exports the same to Singapore, Switzerland, Austria and U.A.E among others. As a result, the firm is exposed to risks related to changes in political or economic conditions of the export countries. Any slowdown in the economic conditions of these countries may impact the flow of orders. Moreover, the company is also exposed to the forex risk that is mitigated through forward booking.

Liquidity Position:

Liquidity of SBRIPL is marked by net cash accruals of Rs.10-12 crores during FY2016-2018. The cash accruals of the company are expected to improve further with no major repayment obligations. The company's working capital operations are well managed as marked by gross current asset (GCA) days of 98 in FY 2019 (Provisional). This has led to moderate reliance on working capital borrowings. The cash credit limit in the company remained utilised at around 65 percent during the last 6 months ended April 2019. The company maintains unencumbered cash and bank balances of Rs.0.25 crore as on March 31, 2018. The current ratio of the company stood moderate at 1.39 times as on March 31, 2018. Acuite believes that the liquidity of the company will remain comfortable over near to medium term on account of well managed working capital operations, increasing net cash accruals, no repayment obligations and absence of any debt funded capex plans.

Outlook: Stable

Acuite believes that SBRIPL will continue to benefit over the near to medium term from its promoters extensive industry experience and funding support. The outlook may be revised to 'Positive' in case of significant increase in the scale of operations and profitability leading to improvement in the financial risk profile. Conversely, the outlook may be revised to 'Negative' if the financial risk profile further deteriorates on account of low profitability/revenues or if any debt-funded capital expenditure is undertaken. Substantial increase in working capital requirement resulting in weakening of the liquidity profile may also entail a 'Negative' outlook.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	1173.58	1191.17	1109.51
EBITDA	Rs. Cr.	34.91	28.56	26.51
PAT	Rs. Cr.	11.35	7.99	9.12
EBITDA Margin	(%)	2.97	2.40	2.39
PAT Margin	(%)	0.97	0.67	0.82
ROCE	(%)	10.22	10.30	10.53
Total Debt/Tangible Net Worth	Times	1.99	2.14	1.27
PBDIT/Interest	Times	2.06	1.97	2.48
Total Debt/PBDIT	Times	6.33	7.44	4.53
Gross Current Assets (Days)	Days	98	92	63

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.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. Crore)	Ratings/Outlook
23-Apr-2018	Cash Credit	Long Term	210.00	ACUITE BBB+ / Stable (Assigned)
	Cash Credit	Long Term	74.50	ACUITE BBB+ / Stable (Assigned)
	Bank Guarantee	Short Term	20.00	ACUITE A2+ (Assigned)
	Proposed Bank Facility	Short Term	8.40	ACUITE A2+ (Assigned)

***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	150.00	ACUITE BBB+ / Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	74.50	ACUITE BBB+ / Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	60.00	ACUITE BBB+ / Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE A2+ (Reaffirmed)
Proposed Facility	Not Applicable	Not Applicable	Not Applicable	8.40	ACUITE A2+ (Reaffirmed)

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About Acuite Ratings & Research:

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