

## Press Release

### Satyam Balajee Rice Industries Private Limited

September 18, 2020

#### Rating Reaffirmed Assigned & Withdrawn



|                                     |   |
|-------------------------------------|---|
| <b>Total Bank Facilities Rated*</b> | Rs.312.90 Cr.                                   |
| <b>Long Term Rating</b>             | ACUITE BBB+/Stable<br>(Reaffirmed and Assigned) |
| <b>Short Term Rating</b>            | ACUITE A2+<br>(Withdrawn)                       |

\* Refer Annexure for details

#### Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BBB+**' (read as **ACUITE triple B plus**) on the Rs. 294.75 Crore bank facilities of Satyam Balajee Rice Industries Private Limited. The outlook is '**Stable**'.

Acuite has also assigned the Long-term rating of '**ACUITE BBB+**' (read as **ACUITE triple B plus**) on the Rs.18.15 Crore bank facilities of Satyam Balajee Rice Industries Private Limited. **The outlook is 'Stable'.**

Further, Acuite has also withdrawn the Short-term rating of '**ACUITE A2+**' (read as **ACUITE A two plus**) on the Rs.20.00 Crore bank facilities of Satyam Balajee Rice Industries Private Limited.

The Chhattisgarh-based, Satyam Balajee Rice Industries Private Limited (erstwhile known as Satyam Industries) 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 recognized 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 140,160 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

##### • Long track record of operations and experienced management

The company was established in 1994 by Mr. Purushottam Agarwalla and Mr. Pradeep Agarwalla with an objective of engaging in the processing and export of non-basmati rice. The company have a significant reputation in the business due to the long track of operation in the rice milling industry. The promoters of SBRIPL have an experience of more than two decades in the rice milling business. Managing director, Mr. Purushottam Agarwalla, possesses an experience of almost three decades in the rice milling industry. Director, Mr. Pradeep Kumar Agarwalla also possesses an experience of more than two decades in the rice milling industry.

The extensive experience of the management has helped the company establish long-term relations with suppliers resulting in a 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, as the company exports ~100% of its total revenues. The company majorly exports to countries like Singapore, Switzerland, Austria and U.A.E, among others. Acuite believes that SBRIPL will continue to benefit from its established position in the market and experienced management.

##### • Moderate working capital management

The working capital management of the company has stood moderate in FY2020 (Provisional) marked

by moderate Gross Current Assets (GCA) of 107 days in FY2020 (Provisional) as against 98 days in FY2019. The inventory levels stood at 97 days in FY2020 (Provisional) as against 36 days in FY2019. This is due to a high amount of finished goods inventory kept in the warehouse because of the delay in shipping. As a result, the average utilization of bank limits stood at ~65 per cent in the last six months ending August 2020.

Acuite believes that the working capital requirements will continue to remain moderate over the medium term on account of timely payment from the customers and to the suppliers.

#### • **Comfortable financial risk profile**

The financial risk profile of the company has remained comfortable marked by healthy net worth and debt protection metrics. The net worth of the company stood at Rs.117.21 Crore as on 31 March 2020 (Provisional) as against Rs.113.07 Crore as on 31 March 2019. The net worth levels have seen significant improvement over the last three years on account of healthy accretion to reserves during the same period. The gearing level (debt-equity) reduced to 1.10 times as on 31 March 2020 (Provisional) as against 1.99 times as on 31 March 2019. The total debt of Rs.129.04 Crore as on 31 March 2020 (Provisional) consists of unsecured loans from promoters of Rs.0.13 Crore and working capital borrowings of Rs.128.91 Crore. The interest coverage ratio (ICR) stood comfortable at 1.94 times in FY2020 (Provisional) as against 2.06 times in FY2019. NCA/TD (Net Cash Accruals to Total Debt) ratio stood at 0.06 times in FY2020 (Provisional) as against 0.06 times in FY2019. Debt to EBITDA has slightly improved at 5.78 times in FY2020 (Provisional) as against 6.33 times in FY2019. This is mainly due to low external debt during the year.

Going forward, Acuite expects the company to maintain its financial risk profile and improve its net worth backed by steady accruals and absence of any major debt-funded capex plan.

### **Weaknesses**

#### • **Significant Declining in revenue and profitability**

Company's performance has been stable for the last few years. However, in FY2020, The Company has shown a significant decline in revenue. Operating income declined by 36 percent in the FY2020 (Provisional) over FY2019. Operating Income for FY2020 (Provisional) stood at Rs.744.87 Crore as against Rs.1173.58 Crore for the FY2019. This is mainly due to a decline in demand and transportation constraint at ports due to Covid-19 pandemic. The orders which are supposed to be shipped in February and March got delayed and then eventually shipped in the month of April. This has resulted in an increase in inventory for which the company has registered sales in Q1FY2021.

However, in the current financial year, the demand for the product has increased. The company have booked revenue of ~Rs.598.63 Crore as of 31st August, 2020 and have a current order book position of Rs.538.00 Crore which are expected to be executed by October end.

The EBITDA Margins stood at 2.86 percent for FY2020 (Provisional) as against 2.97 percent in FY2019. The PAT margin stood at 0.79 percent in FY2020 (Provisional) as against 0.97 percent in FY2019.

Acuite believes that the company's ability to improve its revenues while maintaining its profit margin will remain a key rating sensitivity for the overall credit profile of SBRIPL.

#### • **Presence in highly Competitive & fragmented industry**

The company operates in agro-processing industry that is highly competitive and fragmented due to the presence of several organized and unorganized players. The high competition and low-value addition in the agro-processing industry result in the low operating margin at 2.86 percent for FY2020 (Provisional). The low profitability in EBITDA is followed by low PAT margins at 0.79 percent for FY2020 (Provisional).

#### • **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 company 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.

### **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.

#### Material Covenant

None

#### Rating sensitivity

- Significant improvement in operating revenues and profitability margins

#### Liquidity position: Adequate

Company has adequate liquidity, marked by adequate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.7.57 Crore in FY2020 (Provisional) as against no significant debt maturity obligation for the year. This is mainly due to the absence of long term borrowings. The cash accruals of the company are estimated to remain in the range of around Rs.16.50 Crore to Rs.23.00 Crore during FY2021-23 against CPLTD of Rs.12.10 Crore in FY2021 and Rs.3.03 Crore in FY2022 for the same period. Company's working capital operations are moderate, marked by Gross Current Asset (GCA) days of 107 days in FY2020 (Provisional). As a result, the bank limits utilization stood at ~65 percent for six months ending in August, 2020. The company maintains unencumbered cash and bank balances of Rs.0.43 Crore as on 31 March 2020 (Provisional). The current ratio stands at 1.66 times as on 31 March 2020 (Provisional).

#### About the Rated Entity - Key Financials

|                               | Unit    | FY20 (Provisional) | FY19 (Actual) |
|-------------------------------|---------|--------------------|---------------|
| Operating Income              | Rs. Cr. | 744.87             | 1173.58       |
| PAT                           | Rs. Cr. | 5.86               | 11.35         |
| PAT Margin                    | (%)     | 0.79               | 0.97          |
| Total Debt/Tangible Net Worth | Times   | 1.10               | 1.99          |
| PBDIT/Interest                | Times   | 1.94               | 2.06          |

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

Not Applicable

#### 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>
- 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 (Up to last three years)

| Date          | Name of Instrument / Facilities | Term       | Amount (Rs. Cr) | Ratings/Outlook                 |
|---------------|---------------------------------|------------|-----------------|---------------------------------|
| 14-June-2019  | Cash Credit                     | Long Term  | 150.00          | ACUITE BBB+/Stable (Reaffirmed) |
|               | Cash Credit                     | Long Term  | 74.50           | ACUITE BBB+/Stable (Reaffirmed) |
|               | Cash Credit                     | Long Term  | 60.00           | ACUITE BBB+/Stable (Assigned)   |
|               | Bank Guarantee                  | Short Term | 20.00           | ACUITE A2+ (Reaffirmed)         |
|               | Proposed bank facility          | Short Term | 8.40            | ACUITE A2+ (Reaffirmed)         |
| 23-April-2018 | Cash Credit                     | Long Term  | 210.00          | ACUITE BBB+/Stable              |

|  |                        |            |       |                                  |
|--|------------------------|------------|-------|----------------------------------|
|  |                        |            |       | (Assigned)                       |
|  | Cash Credit            | Long Term  | 74.50 | ACUITE BBB+/Stable<br>(Assigned) |
|  | Bank Guarantee         | Short Term | 20.00 | ACUITE A2+<br>(Assigned)         |
|  | Proposed bank facility | Short Term | 8.40  | ACUITE A2+<br>(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                    |
|------------------------|------------------|----------------|----------------|-----------------------------|------------------------------------|
| CC/EPC                 | Not Applicable   | Not Applicable | Not Applicable | 150.00*                     | ACUITE BBB+/Stable<br>(Reaffirmed) |
| CC/EPC                 | Not Applicable   | Not Applicable | Not Applicable | 34.70**                     | ACUITE BBB+/Stable<br>(Reaffirmed) |
| CC/EPC                 | Not Applicable   | Not Applicable | Not Applicable | 60.00                       | ACUITE BBB+/Stable<br>(Reaffirmed) |
| Term Loan              | April-2020       | Not Applicable | April-2022     | 15.00                       | ACUITE BBB+/Stable<br>(Assigned)   |
| Term Loan              | June-2020        | Not Applicable | June-2022      | 3.15                        | ACUITE BBB+/Stable<br>(Assigned)   |
| Bank Guarantee         | Not Applicable   | Not Applicable | Not Applicable | 20.00                       | ACUITE A2<br>(Withdrawn)           |
| Proposed bank facility | Not Applicable   | Not Applicable | Not Applicable | 50.05                       | ACUITE BBB+/Stable<br>(Reaffirmed) |

\*Bank guarantee interchangeability is amounted to Rs.20.00 Crore is within the sublimit of CC/EPC facility

\*\*Bank guarantee interchangeability is amounted to Rs.10.00 Crore is within the sublimit of CC/EPC facility

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**About Acuité Ratings & Research:**

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