

Press Release

Satyam Balajee Rice Industries Private Limited

May 31, 2021

Rating Upgraded



Total Bank Facilities Rated*	Rs. 412.90 Cr. (Enhanced from Rs.312.90 crore)
Long Term Rating	ACUITE A-/Stable (Upgraded from ACUITE BBB+/Stable)

* Refer Annexure for details

Rating Rationale

Acuité has upgraded the long term rating to '**ACUITE A-**' (**read as ACUITE A minus**) from '**ACUITE BBB+**' (**read as ACUITE triple B plus**) on the Rs.412.90 crore bank facilities of Satyam Balajee Rice Industries Private Limited. The outlook is '**Stable**'.

The rating upgrade is driven by significant improvement in business risk profile of the company marked by substantial growth in revenues while sustaining their moderate profitability margins. The rating upgrade also takes into account the improvement of overall financial risk profile and working capital management.

The rating continues to reflect the extensive experience of the management and established track of operation in the rice milling industry. The rating also reflects efficient working capital management of the company and adequate liquidity position during the period. However, these strengths are partially offset by the vulnerability of margins to the fluctuations in commodity prices and risk associated to economic conditions of the export countries.

About the company

Satyam Balajee Rice Industries Private Limited (erstwhile known as Satyam Industries) a Chhattisgarh based company was established in the year 1994 as proprietorship concern and in 2005 changed its constitution. The company is engaged in processing of parboiled non-basmati rice with an installed capacity of 115200 MTPA. Currently, the company is managed by Mr. Purushottam Agarwalla and Mr. Pradeep Agarwal.

Analytical Approach:

Acuité has considered the standalone business and financial risk profile of SBRPL while arriving at the rating.

Key Rating Drivers:

Strengths

Experienced management and long track record of operation

SBRPL was established in the year 1995 by Mr. Purushottam Agarwal. He has more than 25 years of experience in the rice milling business. The other director Mr. Pradeep Agarwal also possesses more than two decades of experience in similar industry. The extensive experience of the management has helped the company establish long-term relations with suppliers resulting in direct procurement of paddy from the local farmers and traders from Chhattisgarh, Andhra Pradesh, Jharkhand and West Bengal. Moreover, their experience has also helped in building healthy customer relations in the global market, as the company exports mainly to countries like Singapore, Switzerland, Austria and U.A.E, among others. Acuité believes that SBRPL will continue to benefit from long experience of the management in establishing relations with their key suppliers and customers.

Comfortable financial risk profile

The financial risk profile of the company is marked by healthy net worth, high gearing and strong debt protection metrics. The net worth of the company stood healthy at Rs.146.82 crore in FY 2021 (Prov.) as compared to Rs 117.25 crore in FY2020. This improvement in networth is mainly on account of healthy accretion to reserves during the same period. The gearing of the company stood high at 2.12 times as on March 31, 2021 (Prov.) when compared to 1.10 times as on March 31, 2020. This deterioration in gearing is mainly on account of increase in working capital utilization by the company during the period. Interest coverage ratio (ICR) is strong and stood at 4.49 times in FY2021 (Prov.) as against 1.92 times in FY 2020. The debt service coverage ratio (DSCR) of the company also stood strong at 3.64 times in FY2021 (Prov.) as compared to 1.64 times in the

previous year. The net cash accruals to total debt (NCA/TD) stood comfortable at 0.10 times in FY2021 (Prov.) as compared to 0.06 times in the previous year. Going forward, Acuité believes the financial risk profile of the company will remain comfortable on account of steady net cash accruals and no major debt funded capex plan over the near term.

Healthy scale of operation

The company reported a turnover of Rs.2115.40 crore in FY2021 (Prov.) as compared to Rs.741.28 crore in the previous year. This growth in revenue of the company is marked mainly due to significant increase in trading of non-basmati rice along with growing demand from the global market during the period. Going forward, Acuité believes that the company will sustain their sales at healthy level backed by favorable demand for non-basmati rice and healthy order book of Rs.776.25 crore as on April 2021 imparting revenue visibility over the medium term.

Efficient working capital management

The efficient working capital management of the company is marked by gross current asset (GCA) days of 81 days in FY2021 (Prov.) as compared to 108 days in FY2020. This improvement in gross current asset (GCA) days is on account of improvement in inventory holding period during FY2021 (Prov.). The inventory holding period of the company stood comfortable at 65 days in FY2021 (Prov.) as compared to 98 days in the previous year. The debtor days of the company stood healthy at 15 days in FY2021 (Prov.) as compared to 2 days in the previous year. Moreover, the company has utilized ~70 per cent of its working capital facility for the last six months ended April 2021. Acuité believes that the working capital of the company would be maintained at efficient levels over the medium term backed by the efficient inventory management policy of the promoters.

Weaknesses

Declining profitability margin

The operating profitability margin of the company has declined in FY2021 (Prov.) and stood moderate at 2.50 per cent as compared to 2.92 per cent in the previous year. This deterioration in operating profitability is on account of increase in trading sales resultant into significant increase in freight cost during the period. However, the net profitability margin of the company has improved to 1.40 per cent in FY2021 (Prov.) as compared to 0.79 per cent in the previous year. Acuité believes that the company's ability to improve its revenues while maintaining its profit margin will remain a key rating sensitivity factor.

Commodity price fluctuation

Rice is a highly competitive industry due to low entry barriers, which results in intense competition from both the organized as well as unorganized players in the industry. The company is involved in the milling of rice and thus faces competition from large numbers of players into the similar business of rice milling especially given the geographical placement of the company.

Rating Sensitivity

- Sustenance in scale of operation and profitability margin
- Deterioration in capital structure
- Working capital management

Material Covenant

None

Liquidity Position: Adequate

The company has adequate liquidity marked by healthy net cash accruals of Rs.31.29 crore as against nil long term debt obligation during FY2021 (Prov.). The cash accruals of the company are estimated to remain in the range of around Rs. 24.02 crore to Rs. 32.48 crore during 2022-24 as against Rs.4.75 crore in FY2022 and Rs.10.82 crore in FY2023 of long term debt obligations. The current ratio of the company stood comfortable at 1.35 times in FY2021 (Prov.). The working capital management of the company is marked by moderate Gross Current Asset (GCA) days of 81 days in FY2021 (Prov.). The bank limit of the company has been ~70 per cent utilized during the last six months ended in April 2021. Moreover, the company has availed the covid emergency fund of Rs. 15.57 crore. The said loan has to be repaid over a period of 2 years including 6 months of moratorium. However, the company has not availed the loan moratorium. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy cash accruals against long debt repayments over the medium term.

Outlook: Stable

Acuite believes that company's business risk profile is expected remain 'Stable' on the back of extensive promoter's experience in the rice milling industry and comfortable financial risk profile. The outlook may be revised to 'Positive' in case of higher than expected improvement in accruals while sustaining their liquidity position. Further, the outlook may be revised to 'Negative' in case of a sharp decline in accruals, a decline in profitability margin or further elongation in the working capital cycle.

About the Rated Entity - Key Financials (Standalone)

	Unit	FY21 (Prov.)	FY20 (Actual)
Operating Income	Rs. Cr.	2115.40	741.28
PAT	Rs. Cr.	29.58	5.89
PAT Margin	(%)	1.40	0.79
Total Debt/Tangible Net Worth	Times	2.12	1.10
PBDIT/Interest	Times	4.49	1.92

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

None

Any other information

None

Applicable Criteria

- Default Recognition – <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities – <https://www.acuite.in/view-rating-criteria-59.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-61.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 (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings / Outlook
18-Sep-2020	Cash Credit/EPC	Long Term	150.00	ACUITE BBB+/Stable (Reaffirmed)
	Cash Credit/EPC	Long Term	34.70	ACUITE BBB+/Stable (Reaffirmed)
	Cash Credit/EPC	Long Term	60.00	ACUITE BBB+/Stable (Reaffirmed)
	Term Loan	Long Term	15.00	ACUITE BBB+/Stable (Assigned)
	Term Loan	Long Term	3.15	ACUITE BBB+/Stable (Assigned)
	Bank Guarantee	Short Term	20.00	ACUITE A2+ (Withdrawn)
14-June-2020	Proposed Bank Facility	Long Term	50.05	ACUITE BBB+/Stable (Reaffirmed)
	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-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. Crore)	Ratings/Outlook
Cash Credit /EPC	Not Applicable	Not Applicable	Not Applicable	230.30*	ACUITE A-/Stable (Upgraded)
Term Loan	Apr 2020	7.75%	Apr 2022	12.59	ACUITE A-/Stable (Upgraded)
Cash Credit /EPC	Not Applicable	Not Applicable	Not Applicable	49.70**	ACUITE A-/Stable (Upgraded)
Term Loan	Apr 2020	8.00%	Apr 2022	2.98	ACUITE A-/Stable (Upgraded)
Cash Credit /EPC	Not Applicable	Not Applicable	Not Applicable	95.00	ACUITE A-/Stable (Upgraded)
Proposed Long Term Facility	Not Applicable	Not Applicable	Not Applicable	22.33	ACUITE A-/Stable (Upgraded)

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

**Bank guarantee amounted to Rs.8.00 Crore is within the sublimit of CC/EPC facility

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About Acuité Ratings & Research:

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