

## Press Release

Satyam Balajee Rice Industries Private Limited

May 05, 2022



### Rating Assigned, Upgraded & Partly Withdrawal

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	145.57	ACUITE A   Stable   Assigned	-
Bank Loan Ratings	15.57	ACUITE A   Upgraded & Withdrawn	-
Bank Loan Ratings	20.00	-	ACUITE A1   Assigned
Bank Loan Ratings	397.33	ACUITE A   Stable   Upgraded	-
<b>Total Outstanding Quantum (Rs. Cr)</b>	562.90	-	-
<b>Total Withdrawn Quantum (Rs. Cr)</b>	15.57	-	-

### Rating Rationale

Acuite has upgraded the long-term rating to '**ACUITE A**' (read as ACUITE A) from 'ACUITE A-' (read as ACUITE A minus) on the Rs.397.33 crore bank facilities of Satyam Balajee Rice Industries Private Limited. Acuite has also assigned the long-term rating of 'ACUITE A' (read as ACUITE A) and the short term rating of ACUITE A1 (read as ACUITE A one) on the Rs.165.57 crore bank facilities of Satyam Balajee Rice Industries Private Limited. The outlook is '**Stable**'.

Acuite has also upgraded and withdrawn the long-term rating of '**ACUITE A**' (read as ACUITE A) to the Rs.15.57 crore bank facilities of Satyam Balajee Rice Industries Private Limited.

The rating withdrawal is in accordance with Acuite's policy on withdrawal of rating and on account of request received from the company and no objection certificate received from the banker.

The rating upgrade is driven by the healthy financial risk profile of the company along with strong liquidity position during the period. The rating also factors in the overall improvement in business risk profile of the company marked by continuous improvement in operating income while maintaining the profitability margin at a moderate level. The revenue of the company has continuously improved and stood healthy at Rs.2508.69 crore in FY2022 (Prov.) as against of Rs.2110.51 crore in the previous year on account of increase in trading activity coupled with increase in average realization per unit in FY2022 backed by steady demand in the global market. The healthy financial risk profile is marked by strong network, moderate gearing and strong debt protection metrics. The strong liquidity of the company is marked by healthy net cash accruals and moderate utilization of working capital facility for the last six months ended March 2022.

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 strong 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 trading and 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 SBRIPL while arriving at the rating.

### **Key Rating Drivers**

#### **Strengths**

##### **Long track record of operation and experienced management**

The company was established in 1995 by Mr. Purushottam Agarwalla and Mr. Pradeep Agarwalla with an objective of engaging in the processing and export of non-basmati rice. The company has established a name 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, Andhra Pradesh, Jharkhand and West Bengal. 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. Acuité believes that SBRIPL will continue to benefit from its established position in the market and experienced management.

##### **Healthy growth in revenue**

The revenue of the company has increased to Rs.2508.69 crore during FY2022 (Prov.) as compared to Rs.2110.51 crore in the previous year. This increase in revenue is on account of increase in quantity sales during the period coupled with better price realisation backed by steady demand from the export market. The company has also started trading of non-basmati parboiled rice from FY2021, which further has helped the company to increase the top line continuously. Acuité believes, going forward the revenue of the company will sustain at the healthy level backed by healthy order book from global market and steady demand for non-basmati rice.

##### **Healthy financial risk profile**

The financial risk profile of the company is marked by a high net worth base, moderate gearing and strong debt protection metrics. The net worth of the company stood healthy at Rs.225.94 crore in FY 2022 (Prov.) as compared to Rs 146.95 crore in FY2021. This improvement in networth is mainly due to the retention of current year profit. The gearing of the company stood moderate at 1.67 times in FY2022 (Prov.) as compared to 2.13 times in the previous year. This improvement in gearing is due to significant increase in networth during the period.

Interest coverage ratio (ICR) is strong and stood at 9.97 times in FY2022 (Prov.) as against 4.41 times in FY 2021. The debt service coverage ratio (DSCR) of the company also stood strong at 7.79 times in FY2022 (Prov.) as compared to 3.64 times in the previous year. The net cash accruals to total debt (NCA/TD) stood comfortable at 0.21 times in FY2022 (Prov.) as compared to 0.10 times in the previous year. Going forward, Acuité believes the financial risk profile of the company will remain healthy on account of steady net cash accruals and no major debt funded capex plan over the near term.

### **Efficient working capital management**

The efficient working capital management of the company is marked by comfortable gross current asset (GCA) days of 91 days in FY2022 (Prov.) as compared to 85 days in FY2021. The debtor days of the company stood comfortable at 54 days in FY2022 (Prov.) as compared to 18 days in the previous year. The inventory holding period of the company also stood comfortable at 27 days in FY2022 (Prov.) as compared to 64 days in the previous year. However, this increase in debtors in FY2022 (Prov.) is due debtor outstanding as on 31st March 2022 (Prov.). Further, the company has been utilized ~64 per cent of its working capital facility for the last six months ended March 2022. 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**

#### **Improving but moderate profitability margin**

The operating profitability margin of the company has improved to 4.68 per cent in FY2022 (Prov.) as compared to 2.46 per cent in the previous year. This increase in operating margin is on account of decrease in raw material price during the period. This improvement in profitability margin of the company has also been due to incentive received from Govt. of India for rice export during FY2022 (Prov.). Going forward, Acuite believes that the profit margin will improve and sustain at the same level backed by heavy demand and order flow for non-basmati rice and par-boiled rice from the global market. The net profitability margin of the company has also improved to at 3.15 per cent in FY2022 (Prov.) as compared to 1.41 per cent in FY2021.

#### **Commodity price fluctuation**

Paddy, the main raw material required for rice is a seasonal crop and production of the same is highly dependent upon monsoon season. Environmental factors, sound fertility of soil and seasonal monsoon control the output of the paddy cultivation affecting the demand supply dynamics of basmati rice year-on-year resulting in price flux. Furthermore, paddy price is largely dependent on several external factors like domestic demand outlook, international trade regulations and domestic productions. This exposes the company 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 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.

#### **ESG Factors Relevant for Rating**

This wholesale trade industry has lower environmental risk. Key material issues such as green supply chain and green products can influence environmental scores. Additionally, GHG emissions, energy efficiency, environmental management, waste management and green products are significant environmental issues in the wholesale trade industry. The social impact of the company is assessed through community support & development, employee safety, employment quality, product quality and human rights. Additionally, key material issues

such as product responsibility, product safety, responsible procurement and employee development have a significant impact on the social scores for this industry.

The company is committed to maintain the highest standards of Corporate Governance. This industry is exposed to key issues such as anti-competitive behavior, business ethics, management compensation, board independence and corrupt practices. Moreover, board diversity & compensation, audit committee functioning, anti-takeover mechanism, financial audit & control and shareholders' rights are the key material issues for this industry.

### Rating Sensitivities

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

### Material covenants

None

### Liquidity Position: Strong

The company has strong liquidity position marked by healthy net cash accruals of Rs.80.70 crore as against nil long term debt obligations in FY2022 (Prov.). The cash accruals of the company are estimated to remain in the range of around Rs. 87.28 crore to Rs. 97.82 crore during 2023-24 as against of no long term debt obligations during the period. The current ratio of the company stood healthy at 1.46 times in FY2022 (Prov.). The Gross Current Asset (GCA) days of the company stood healthy at 91 days in FY2022 (Prov.). The bank limit of the company has been ~64 percent utilized during the last six months ended in March 2022. Acuité believes that the liquidity of the company is likely to remain strong over the medium term on account of healthy cash accruals against no long debt repayments over the medium term.

### Outlook: Stable

Acuité 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 healthy 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.

### Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	2508.69	2110.51
PAT	Rs. Cr.	78.99	29.70
PAT Margin	(%)	3.15	1.41
Total Debt/Tangible Net Worth	Times	1.67	2.13
PBDIT/Interest	Times	9.97	4.41

### 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>
- Entities In Manufacturing Sector - <https://www.acuite.in/view-rating-criteria-59.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>

- Trading Entitle: <https://www.acuite.in/view-rating-criteria-61.htm>
- Application Of 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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
31 May 2021	Cash Credit	Long Term	49.70	ACUITE A-   Stable (Upgraded from ACUITE BBB+   Stable)
	Cash Credit	Long Term	95.00	ACUITE A-   Stable (Upgraded from ACUITE BBB+   Stable)
	Term Loan	Long Term	12.59	ACUITE A-   Stable (Upgraded from ACUITE BBB+   Stable)
	Cash Credit	Long Term	230.30	ACUITE A-   Stable (Upgraded from ACUITE BBB+   Stable)
	Term Loan	Long Term	2.98	ACUITE A-   Stable (Upgraded from ACUITE BBB+   Stable)
	Proposed Bank Facility	Long Term	22.33	ACUITE A-   Stable (Upgraded from ACUITE BBB+   Stable)
18 Sep 2020	Cash Credit	Long Term	34.70	ACUITE BBB+   Stable (Reaffirmed)
	Term Loan	Long Term	15.00	ACUITE BBB+   Stable (Assigned)
	Cash Credit	Long Term	60.00	ACUITE BBB+   Stable (Reaffirmed)
	Cash Credit	Long Term	150.00	ACUITE BBB+   Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	50.05	ACUITE BBB+   Stable (Reaffirmed)
	Term Loan	Long Term	3.15	ACUITE BBB+   Stable (Assigned)
	Bank Guarantee	Short Term	20.00	ACUITE A2 (Withdrawn)
14 Jun 2019	Cash Credit	Long Term	60.00	ACUITE BBB+   Stable (Assigned)
	Proposed Bank Facility	Short Term	8.40	ACUITE A2+ (Reaffirmed)
	Cash Credit	Long Term	74.50	ACUITE BBB+   Stable (Reaffirmed)
	Bank Guarantee	Short Term	20.00	ACUITE A2+ (Reaffirmed)
	Cash Credit	Long Term	150.00	ACUITE BBB+   Stable (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

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	230.30	ACUITE A   Stable   Upgraded
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	49.70	ACUITE A   Stable   Upgraded
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	95.00	ACUITE A   Stable   Upgraded
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	49.70	ACUITE A   Stable   Assigned
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	45.30	ACUITE A   Stable   Assigned
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE A   Stable   Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	22.33	ACUITE A   Stable   Upgraded
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	20.57	ACUITE A   Stable   Assigned
State Bank of India	Not Applicable	Stand By Line of Credit	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE A1   Assigned
Union Bank of India	Not Applicable	Term Loan	30-04-2020	8.00	30-04-2022	2.98	ACUITE A   Upgraded & Withdrawn
State Bank of India	Not Applicable	Term Loan	30-04-2020	7.75	30-04-2022	12.59	ACUITE A   Upgraded & Withdrawn

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### About Acuité Ratings & Research

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