



**Press Release**  
**Satyam Balajee Rice Industries Private Limited**  
**June 09, 2023**  
**Rating Assigned, Downgraded and Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	120.00	ACUITE A-   Stable   Assigned	-
Bank Loan Ratings	522.90	ACUITE A-   Stable   Downgraded	-
Bank Loan Ratings	30.00	-	ACUITE A1   Assigned
Bank Loan Ratings	40.00	-	ACUITE A1   Reaffirmed
<b>Total Outstanding Quantum (Rs. Cr)</b>	712.90	-	-

**Rating Rationale**

Acuite has downgraded the long-term rating from '**Acuite A**' (read as **Acuite A**) to '**Acuite A-**' (read as **Acuite A minus**) and reaffirmed the short-term rating of '**Acuite A1**' (read as **Acuite A One**) on the Rs. 562.90 crore bank facilities of Satyam Balajee Rice Industries Private Limited (SBRIPL).

Acuite has also assigned the long-term rating of '**Acuite A-**' (read as **Acuite A Minus**) and the short-term rating of '**Acuite A1**' (read as **Acuite A One**) to the Rs. 150 crore bank facilities of Satyam Balajee Rice Industries Private Limited.

The outlook is '**stable**'.

**Rationale for Rating Action**

Rating action considers the significant moderation in operating income and profitability in the last year. Further rating action is taken on account of the moderation in the coverage indicator and the financial risk profile of the company.

**About the Company**

Satyam Balajee Rice Industries Private Limited (formerly known as Satyam Industries), a Chhattisgarh-based company, was established in 1994 as a proprietorship concern and changed its constitution in 2005. The company is engaged in the 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**

Acuite 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 the objective of engaging in the processing and export of non-basmati rice. The company has a significant reputation in the business due to its long track record of operation in the rice milling industry. The promoters of SBRIPL have more than two decades of experience in the rice milling business. The managing director, Mr. Purushottam Agarwalla, possesses almost three decades of experience in the rice milling industry. Director Pradeep Kumar Agarwalla also possesses more than two decades of experience in the rice milling industry. The extensive experience of the management has helped the company establish long-term relations with suppliers, resulting in the 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 finished goods. The company majorly exports to countries like Singapore, Switzerland, Austria, and the U.A.E., among others. Acuite believes that SBRIPL will continue to benefit from its established position in the market and experienced management.

**Efficient working capital management:** The efficient working capital management of the company is marked by comfortable GCA days of 83 days in FY2023 (prov.) as compared to 91 days in FY2022. The debtor days of the company stood comfortably at 13 days in FY2023 (prov.) as compared to 52 days in the previous year. The inventory holding period of the company increased and stood at 51 days in FY2023 (Prov.) as compared to 29 days in the previous year. Further, the company utilised 54 percent of its working capital facility for the last six months ended March 2023. Acuite believes that the working capital cycle of the company will stretch in the coming days, resulting in high working capital utilisation.

## **Weaknesses**

### **A sharp decline in revenue coupled with a moderate profitability margin**

The revenue of the company decreased to Rs. 2109 crore during FY2023 (prov.) as compared to Rs. 2496.20 crore in the previous year and missed the projections by 22.89%. This dip in the top line is due to lower orders from the export market. Acuite believes that going forward, the revenue of the company will grow at a healthy level, backed by a healthy order book from the global market, better realisation, and steady demand for non-basmati rice.

The operating profitability margin of the company has declined to 3.14% in FY2023 (prov.) as compared to 4.61% in FY2022. This decrease in operating margin is on account of foreign exchange losses. 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 parboiled rice from the global market, along with incentive receivables of 1% of total FOB value from the Indian government for export of rice.

**Comfortable leverage policy with declining coverage position:** The company has a moderate leverage policy marked by relatively high gearing levels historically. The gearing of the company stood at 1.04 times in FY 23 (prov.) as compared to 1.70 times in FY 22 and 2.13 times in FY 21. The gearing of the company has improved mainly on account of a significant increase in its net worth on account of the accretion of profit to reserves. The net worth of the company stood at Rs. 257.76 crore in FY23 (prov.) as compared to Rs. 223.58 crore in FY22. Even though the leverage position of the company has improved, the coverage ratios have shown a significant dip, as can be seen from the interest coverage ratio (ICR) of the company, which stood at 3.56 times in FY23 (prov.) as against 9.66 times in FY22. Further, the debt service coverage ratio (DSCR) of the company declined and stood at 2.95 times in FY23 (prov.) as against 7.51 times in FY2022. The coverage indicator moderated due to a 50 percent increase in interest costs and a dip in operating margin. The net cash accruals to total debt (NCA/TD) stood at 0.14 times in FY23 (Prov.) as compared to 0.21 times in FY2022. Acuite believes that the leverage profile of the company will further moderate as the company plans to increase its revenue, for which it will be relying on externally borrowed funds for the working capital requirement.

### **Rating Sensitivities**

Higher than expected growth in Operating income and Profitability  
Improvement in Working capital operation and Liquidity  
Substantial growth in Coverage Indicator

### **Material covenants**

None

### **Liquidity Position**

#### **Adequate**

The company has an adequate liquidity position, marked by a dip in net cash accruals, which dipped from Rs. 78.39 crore in FY22 to Rs. 36.30 crore in FY23 (prov.). The company has respite as it has no dependence on long-term debt. The current ratio of the company stood at 1.62 times in FY2023 (prov.). The gross current asset (GCA) days of the company stood healthy at 83 days in FY2023 (Prov.). The bank limit of the company has been 54 percent utilised during the last six months, ending in March 2023. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy cash accruals and no 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 revenue and 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.

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	2109.43	2496.20
PAT	Rs. Cr.	34.17	76.64
PAT Margin	(%)	1.62	3.07
Total Debt/Tangible Net Worth	Times	1.04	1.70
PBDIT/Interest	Times	3.56	9.66

### 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>
- Entities In Manufacturing Sector:- <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in)

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
05 May 2022	Proposed Bank Facility	Long Term	22.33	ACUITE A   Stable (Upgraded from ACUITE A-   Stable)
	Term Loan	Long Term	2.98	ACUITE A (Withdrawn)
	Cash Credit	Long Term	49.70	ACUITE A   Stable (Upgraded from ACUITE A-   Stable)
	Proposed Bank Facility	Long Term	20.57	ACUITE A   Stable (Assigned)
	Standby Line of Credit	Short Term	20.00	ACUITE A1 (Assigned)
	Term Loan	Long Term	12.59	ACUITE A (Withdrawn)
	Cash Credit	Long Term	95.00	ACUITE A   Stable (Upgraded from ACUITE A-   Stable)
	Cash Credit	Long Term	30.00	ACUITE A   Stable (Assigned)
	Cash Credit	Long Term	230.30	ACUITE A   Stable (Upgraded from ACUITE A-   Stable)
	Cash Credit	Long Term	49.70	ACUITE A   Stable (Assigned)
	Cash Credit	Long Term	45.30	ACUITE A   Stable (Assigned)
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)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	30.00	ACUITE A1   Assigned
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	95.00	ACUITE A-   Stable   Downgraded
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	230.30	ACUITE A-   Stable   Downgraded
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	49.70	ACUITE A-   Stable   Downgraded
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	30.00	ACUITE A-   Stable   Assigned
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	20.00	ACUITE A-   Stable   Assigned
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	20.00	ACUITE A-   Stable   Assigned
DBS Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	50.00	ACUITE A-   Stable   Assigned
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	49.70	ACUITE A-   Stable   Downgraded
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	45.30	ACUITE A-   Stable   Downgraded
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	30.00	ACUITE A-   Stable   Downgraded
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	22.90	ACUITE A-   Stable   Downgraded
State Bank of India	Not Applicable	Stand By Line of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	40.00	ACUITE A1   Reaffirmed

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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