

Press Release

Sri Sai Nath Agri Industries Private Limited

November 1, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 30.00 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs. 30.00 crore bank facilities of Sri Sai Nath Agri Industries Private Limited. The outlook is '**Stable**'.

Sri Sai Nath Agri Industries Private Limited (SSNAIPL), incorporated in 2009, is a Nagpur (Maharashtra) based company promoted by Mr. Rajesh Kumar Agarwal and Mr. Rohit Agarwal. The company is engaged in processing of non-basmati paddy with an installed capacity of 84,480 MTPA.

Sri Sainath Industry Private Limited (SSIPL), incorporated in 2007, is a Raipur (Chhattisgarh) based company primarily engaged in trading of non-basmati rice apart from mineral based commodities such as iron ore and coal. The company is promoted by Mr. Rajesh Kumar Agarwal and Mr. Rohit Agarwal.

About the Group

SSNAIPL is part of Sainath Group that consists of SSIPL and SSNAIPL. The group promoted by Mr. Saurabh Agarwal, Mr. Rajesh Kumar Agarwal and Mr. Rohit Agarwal and is engaged in trading and processing of paddy.

Analytical Approach

Acuite has considered the consolidated business and financial risk profiles of SSNAIPL and SSIPL, together known as Sainath Group, to arrive at this rating. The consolidation is on account of common promoters, similar line of business and significant operational linkages in terms of sale and purchases. In FY2017-2018, more than 50 percent of paddy processed by SSNAIPL was sold to SSIPL.

Key Rating Drivers:

Strengths

• Healthy financial risk profile

The financial risk profile of the group is marked by healthy net worth, comfortable gearing and modest debt protection metrics. The net worth of the group stood at Rs.51.62 crore in FY2017 -2018 (Provisional) as against Rs 46.96 Crore in FY2016-2017 mainly supported by steady internal cash accrual. Further, the promoters have infused Rs.9.85 crore as unsecured loans which is subordinated to the bank and treated as quasi-equity by Acuite. The gearing stood at 1.26 times in FY2017-2018 (provisional) as against 1.23 times in the previous year. The total debt of Rs.65.25 crore consists of long term borrowings of Rs.16.86 crore and short term financing of Rs.48.40 crore. In the absence of any major capex plan, the gearing is expected to remain comfortable with repayment of existing debt obligations. The debt protection metrics are modest with interest coverage ratio (ICR) of 2.42 times and debt service coverage ratio of 1.71 times as on March 31st, 2018 (provisional).

• Moderate working capital intensive nature of operations

The group's working capital operations are moderate in nature as reflected by Gross Current Assets (GCA) of 102 days in FY2018 (Provisional) as against 97 days in the previous year. The GCA days are mainly dominated by debtors of 71 days in FY2018 (Provisional) as against 36 days in the previous year. The debtors rose significantly on account of higher sales registered in Q4FY2017-2018. The inventory days, on the other hand, declined from 52 days in the previous year to 23 days as on 31 March, 2018 (Provisional).

• Established track record and experienced promoters

Sainath Group is engaged in processing and trading of rice since 2007. The key promoters have extensive experience in the rice industry by virtue of their association with sister concerns Bhagwati Industries and P D Rice Udyog. The long track record of the group has resulted in established relationships with suppliers and customers in domestic market as well as overseas.

Weaknesses

• Susceptibility to agro climatic risk, regulatory risk and forex fluctuation risk

The group derives 95 percent of its revenue from exports to Middle East countries such as Saudi Arabia and Dubai along with African countries, Papua New Guinea and Sri Lanka. As a result the group's revenue profile is exposed to regulatory risk arising from changes in other countries' procurement policies. Further, profitability is susceptible to government policies such as minimum support prices in the domestic market. Increase in minimum support price coupled with any adverse movement in forex rates can impact the price competitiveness vis-a-vis other rice exporting countries. The volatility in prices, thus, is an inherent risk for the company that can affect its revenue and profitability profile. Since paddy is an agro commodity, the group is also exposed to agro climatic risks.

Outlook: Stable

Acuite believes that the outlook on Sainath Group will remain 'Stable' over the medium term backed by its experienced management and healthy financial risk profile. The outlook may be revised to 'Positive' in case the group registers more than envisaged sales and profitability while maintaining its working capital cycle. The outlook may be revised to 'Negative' in case of the group fails to achieve envisaged revenue and profitability and its working capital cycle gets stretched or its financial risk profile deteriorates.

About the Group

SSIPL is part of Sainath Group that consists of SSIPL and SSNAIPL. The group promoted by Mr. Saurabh Agarwal, Mr. Rajesh Kumar Agarwal and Mr. Rohit Agarwal is engaged in trading and processing of paddy.

About the Rated Entity - Key Financials

	Unit	FY18(Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	385.55	317.68	245.71
EBITDA	Rs. Cr.	18.16	12.82	9.24
PAT	Rs. Cr.	4.67	3.16	0.35
EBITDA Margin	(%)	4.71	4.04	3.76
PAT Margin	(%)	1.21	0.99	0.14
ROCE	(%)	12.61	9.27	13.61
Total Debt/Tangible Net Worth	Times	1.26	1.23	1.33
PBDIT/Interest	Times	2.42	2.32	1.42
Total Debt/PBDIT	Times	3.53	4.22	5.83
Gross Current Assets (Days)	Days	102	97	121

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>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Consolidation Of Companies- <https://www.acuite.in/view-rating-criteria-22.htm>

Note on complexity levels of the rated instrument
<https://www.acuite.in/criteria-complexity-levels.htm>
Rating History (Upto last three years)

Not Applicable

***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	17.50	ACUITE BBB- / Stable
Term Loan I	Not Applicable	Not Applicable	Not Applicable	7.15	ACUITE BBB- / Stable
Term Loan II	Not Applicable	Not Applicable	Not Applicable	5.35	ACUITE BBB- / Stable

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About Acuite Ratings & Research:

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