

Press Release

Sri Sai Nath Agri Industries Private Limited



October 08, 2020

Rating withdrawn

Total Bank Facilities Rated	Rs.30.00 crore
Long Term Rating	ACUITE BB+ (Withdrawn)

Rating Rationale

Acuité has withdrawn the long term rating of '**ACUITE BB+**' (**read as ACUITE BB plus**) on the Rs. 30.00 crore bank facilities of Sri Sai Nath Agri Industries Private Limited.

The withdrawal is on account of client's request and receipt of NOC from the banker. The withdrawal is in accordance with Acuité's policy on withdrawal.

Sri Sainath Agri Industries Private Limited (SSAIP), incorporated in 2009, is a Nagpur 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 8,84,400 MT.

Shri Sai Nath Industry Private Limited, incorporated in 2007, is a Raipur based company primarily engaged in trading of agricultural commodities apart from mineral based commodities such as iron ore and coal. The company is promoted by Mr Rajesh Kumar Agarwal and Mr Rohit Agarwal.

Analytical Approach

Acuité has considered the consolidated business and financial risk profiles of SSAIP and SSIPL, together known as Sainath Group, to arrive at this rating. The consolidation is on account of common promoters, a similar line of business and significant operational linkages in terms of sale and purchases. In FY2019-2020, more than 50 percent of paddy processed by SSAIP was sold to SSIPL.

Key Rating Drivers

Strengths

- **Experienced management**

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 the domestic market as well as overseas.

- **Comfortable financial risk profile**

The financial risk profile of the group is marked by high net worth, comfortable gearing and healthy debt protection metrics. The net worth of the group stood at Rs. 48.25 Cr. as on 31 March, 2020(Prov) as against Rs.45.04 Cr. as on 31st March, 2019. The increase in net worth is mainly due to the accretion of profit to reserves. The gearing (debt-equity) stood at 0.98 as on March 31, 2020(Prov) against 1.22 on March 31, 2019. Moreover, the interest coverage ratio (ICR) and debt service coverage ratio (DSCR) stood healthy at 2.56 times and 2.10 times in FY2020 (Prov) as compared to 2.78 times and 2.38 times in FY2019 respectively. The NCA/TD stood at 0.14 times in FY2020.

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.

Rating Sensitivity

Not applicable

Material Covenants

None

Liquidity Profile: Adequate

The group's liquidity is strong, marked by net cash accruals of Rs.6.79 crore in FY2020 (Prov). The current ratio stood at 2.00 times as on March 31, 2020(Provisional) as against 1.69 times as on March 31, 2019. The company maintains unencumbered cash and bank balances of Rs.1.63 crore as on March 31, 2020(Provisional).

About the Rated Entity - Key Financials

	Unit	FY20 (Prov)	FY19 (Actual)
Operating Income	Rs. Cr.	407.42	497.36
PAT	Rs. Cr.	3.21	4.23
PAT Margin	(%)	0.79	0.85
Total Debt/Tangible Net Worth	Times	0.98	1.22
PBDIT/Interest	Times	2.50	2.72

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>
- Trading Entities-<https://www.acuite.in/view-rating-criteria-61.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation of companies-<https://www.acuite.in/view-rating-criteria-60.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
13-Jan-2020	Cash Credit	Long Term	17.50	ACUITE BB+/Stable (Downgraded from

				ACUITE BBB-/Stable (Indicative)
	Term Loan I	Long Term	7.15	ACUITE BB+/Stable (Downgraded from ACUITE BBB-/Stable) (Indicative)
	Term Loan II	Long Term	5.35	ACUITE BB+/Stable (Downgraded from ACUITE BBB-/Stable) (Indicative)
01-Nov-2018	Cash Credit	Long Term	17.50	ACUITE BBB-/Stable (Assigned)
	Term Loan I	Long Term	7.15	ACUITE BBB-/Stable (Assigned)
	Term Loan II	Long Term	5.35	ACUITE BBB-/Stable (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	Not Applicable	Not Applicable	Not Applicable	17.50	ACUITE BB+ (Withdrawn)
Term Loan I	Not Available	Not Applicable	Not Available	7.15	ACUITE BB+ (Withdrawn)
Term Loan II	Not Available	Not Applicable	Not Available	5.35	ACUITE BB+ (Withdrawn)

Contacts

Analytical	Rating Desk
Pooja Ghosh Head - Corporate and Infrastructure Sector Ratings Tel: 033-66201203 pooja.ghosh@acuite.in	Varsha Bist Senior Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in
Shubham Ghosh Analyst - Rating Operations Tel: 033-66201212	

shubham.ghosh@acuite.in

About Acuité Ratings & Research:

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and 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. Since then, it has assigned more than 6,000 credit 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 Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.