

Press Release

Sri Sainath Industry Private Limited

April 07, 2022



Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	61.15	ACUITE BBB Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	61.15	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

*Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BBB**' (read as ACUITE triple B) on the Rs.61.15 Cr bank facilities of Sri Sainath Industries Private Limited (SSIPL). The outlook remains '**Stable**'.

The rating on SSIPL takes into account the strong business profile of the Sainath Group marked by experienced management, established track record of operations and diversified geographical presence. The rating is further supported by its comfortable financial risk profile characterized by moderate network, comfortable gearing and strong debt protection metrics. These strengths are however, partly offset by the group's moderate profitability margins, high customer concentration in SSIPL's revenues and susceptibility to agro climatic risk, regulatory risk and forex fluctuation risk.

About Company

Incorporated in 2007, Sri Sainath Industry Private Limited (SSIPL), is a well-established exporter of Indian non-basmati rice. The company is a three star export house recognized by the Ministry of Commerce and Industry. The company procures rice from the local players and Bhagwati Industries (BI) and exports to different countries of Asia and Africa.

About the Group

Sainath group is a Raipur based group engaged in rice milling and trading. The group consists of Bhagwati Industries (BI) and Sri Sainath Industry Private Limited (SSIPL). The group was started by Mr. Rameshwar Das Agarwal and currently the overall operations of the group are managed by the second and third generation of the Agarwal family along with a set of experienced professionals.

Established in 1990, Bhagwati Industries (BI) is a partnership firm, engaged in rice milling. Its manufacturing facilities are situated in Raipur with installed capacities of 24 MT per hour. The operations are managed by Mr. Rajesh Kumar Agrawal, Mr. Rohit Agrawal and Mr. Anand

Kumar Agarwal and other family members. Recently, the firm has forward integrated and set up a 200 TPD rice bran solvent extraction plant to manufacture crude bran rice oil, which will commence operations from Apr'22. In addition, in FY21, 1 MW solar power plant was installed in-house to meet the power requirement of the unit.

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuité has considered the consolidated business and financial risk profiles of BI and SS IPL, 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 between them.

Key Rating Drivers

Strengths

Vast experience of the management and established track record of operations

The promoters of the group, Mr. Rohit Agrawal and Mr. Anand Kumar Agarwal have more than three decades of experience in rice milling and trading. The group has forward integrated and installed a solvent plant which will improve the business risk position of the group further. Acuité believes the long track record of operations and experience of management has helped the company to develop a healthy relationship with its customers and suppliers and will continue to support the business over the medium term.

Moderate working capital cycle

The moderate working capital management of the group is marked by Gross Current Assets (GCA) of 92 days in FY2021 as compared to 69 days in FY2020. The debtor period stood comfortable at 51 days in FY2021 as compared to 40 days in FY2020. The inventory holding stood efficient at 22 days in FY2021 as compared to 17 days in FY2020. The group maintains minimum inventory as their manufacturing units are located to the close vicinity of rice producing area. Acuité believes that the working capital operations of the group will remain at similar levels as evident from efficient collection mechanism and comfortable inventory levels over the medium term.

Increase in the scale of operations

The scale of operations of the group improved to Rs.591.52 Cr in FY21 as against Rs.354.48 Cr in FY20 and Rs.425.16 Cr in FY19, thereby registering a 2-year CAGR of 18 per cent in FY21. Further, revenue of the group stood strong at Rs.468.93 Cr till Dec'21 (prov.). There has been high export demand of non-basmati rice as prices are significantly cheaper in India than other countries like Thailand and Malaysia. Around 90 per cent of the group's revenue is generated from exports. Apr'23 onwards, Bhagwati Industries will process in-house rice bran to manufacture rice bran crude oil, which in turn is expected to boost the overall scale of operations of the group, going forward.

Weaknesses

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

The group derives 80-85 percent of its revenue from exports to Middle East countries such as Saudi Arabia and Dubai along with African countries. 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. Thus, the volatility in prices 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 Sensitivities

- Successful operationalization of the solvent plant.
- Sustenance of growth in the scale of operations while improving its profitability margin

Material Covenants

None

Liquidity Position: Adequate

The group's liquidity position is adequate marked by adequate net cash accruals of Rs.13.90 Cr as on March 31, 2021 as against long term debt repayment of Rs.2.82 Cr over the same period. The current ratio stood comfortable at 1.55 times as on March 31, 2021 as compared to 2.15 times as on March 31, 2020, due to high CPLTD. The fund based limit remains utilised at 80 per cent over seven months ended February, 2022. The group had free cash and bank balance of around Rs.0.36 Cr as on March 31, 2021. The group availed Covid loan of Rs.14.35 Cr and a loan moratorium. Going forward, Acuite believes the liquidity position of the group will be improve over the medium term marked by enhanced net cash accruals.

Outlook: Stable

Acuite believes that the outlook on Sainath Group will remain 'Stable' over the medium term backed by its experienced management and comfortable 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 the group achieves significantly lower than the expected revenue and profitability and its working capital cycle gets stretched or its financial risk profile deteriorates over the medium term.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	591.52	354.48
PAT	Rs. Cr.	10.17	3.35
PAT Margin	(%)	1.72	0.95
Total Debt/Tangible Net Worth	Times	1.01	0.42
PBDIT/Interest	Times	3.95	2.54

About the Rated Entity - Key Financials (Standalone)

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	475.04	273.73
PAT	Rs. Cr.	8.83	2.85
PAT Margin	(%)	1.86	1.04
Total Debt/Tangible Net Worth	Times	1.04	0.13
PBDIT/Interest	Times	5.58	3.39

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

- CRISIL, vide its press release dated Mar 29, 2019 had denoted the rating of Sri Sainath Industry Private Limited as 'CRISIL BB/Stable/A4+; ISSUER NOT COOPERATING'.

Any Other Information

Not Applicable

Applicable Criteria

- Application Of 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>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>

- Trading Entitle: <https://www.acuite.in/view-rating-criteria-61.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
01 Apr 2021	Packing Credit	Long Term	37.50	ACUITE BBB Stable (Assigned)
	Working Capital Term Loan	Long Term	3.75	ACUITE BBB Stable (Assigned)
08 Oct 2020	Packing Credit	Long Term	37.50	ACUITE BB+ (Withdrawn)
13 Jan 2020	Packing Credit	Long Term	37.50	ACUITE BB+ (Issuer not co-operating*)
01 Nov 2018	Packing Credit	Long Term	37.50	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Bank of Baroda	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	37.50	ACUITE BBB Stable Reaffirmed
Bank of Baroda	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	12.50	ACUITE BBB Stable Reaffirmed
Bank of Baroda	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	3.75	ACUITE BBB Stable Reaffirmed
Bank of Baroda	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	7.40	ACUITE BBB Stable Reaffirmed

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About Acuité Ratings & Research

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