

Press Release

Sai Smaran Foods Private Limited

June 29, 2020

Rating Assigned



Total Bank Facilities Rated*	Rs. 65.00 Cr.
Long Term Rating	ACUITE BBB-/Stable

* Refer Annexure for details

Rating Rationale

Acuite has assigned a long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) to the Rs. 65.00 crore bank facilities of SAI SMARAN FOODS PRIVATE LIMITED (SSFPL). The outlook is '**Stable**'.

SSFPL, incorporated in 1993 is a Nanded (Maharashtra) based company. The operations commenced in 1995. It is promoted by Mr. Naresh Goenka. It is primarily engaged in manufacturing of refined soya oil and soya de-oiled cakes (DOC). It is also engaged in trading of food grains. It has an installed capacity of 90000 metric tonnes per annum (MTPA) of soya seed extraction, 15000 MTA of extruded soya seed, 18000 MTPA of soya refined oil and 73000 (MTPA) of de-oiled cake extraction. It has recently installed extruded oil meal plant of 12000 MTPA which is primarily used to produce export quality of oil meal.

Analytical Approach

For arriving at the ratings, Acuite has considered the standalone financial and business risk profile of SSFPL.

Key Rating Drivers

Strengths

• Extensive experience of promoters in the industry, established track record of operations and presence in the industry

SSFPL was incorporated in 1993 and has been in operations since 1995. The company is promoted by Mr. Naresh Goenka. Mr. Goenka takes care of the day to day operations. He is supported by his son and daughter in law who are also Directors in the company. The promoter has over two decades of experience in the industry. The company has a long track record of operations, established presence in the industry and relations with its customers and suppliers.

Acuite believes that SSFPL will continue to benefit from extensive experience of its management, established track record of operations and presence in the industry.

• Moderate financial risk profile

SSFPL has moderate financial risk profile marked by tangible net worth of Rs. 35.67 crore as on 31 March 2019 against Rs. 31.46 crore as on 31 March 2018. The total debt stood at Rs. 67.61 crores as on 31 March, 2019 against Rs. 52.10 crore as on March 31, 2018. This includes Rs. 66.14 crores working capital loans and Rs. 1.47 crores of loans from directors and promoters. The gearing stood at 1.90 times as on March 31, 2019 against 1.66 times as on March 31, 2018. In spite of the decline in profitability the Interest Coverage Ratio (ICR) stood at 2.28 times in FY2019 although marginally declining from 2.87 times in FY2018. The TOL/TNW stood at 2.41 times as on March 31, 2019 against 1.90 times as on March 31, 2018.

Acuite believes SSFPL's financial risk profile to remain stable on account of increasing scale of operations and absence of any debt funded capital expenditure plans over the medium term.

• Growing scale of operations

SSFPL has recorded consistent growth in scale of operations during the period 2018-20. The operating income stood at Rs. 525.04 Cr in FY2020 (Provisional) as against Rs. 432.23 Cr in FY2019 and Rs. 263.95 Cr in FY2018. Operating income has grown at a CAGR of 41.04 percent during the period under study. Revenue from

manufacturing segment stood at Rs. 398.20 Cr. in FY2020 (Provisional) as against Rs. 373.14 Cr. in FY2019 and Rs. 243.37 Cr. in FY2018. (CAGR – 27.91 percent) and revenue from trading segment stood at Rs. 118.60 Cr. in FY2020 (Provisional), at Rs. 70.14 Cr. in FY2019 and Rs. 22.31 Cr. in FY2018 (CAGR – 130.56 percent).

Weaknesses

•Thin operating margins and net margins

The edible oil market is characterized by thin margin due to low value additive nature and intense competition. Margins have remained thin in this line of business which is range-bound between 2.5-3.0 percent. SSFPL's, operating margins stood low at 2.87 percent in FY2019 vis-à-vis 3.43 percent in FY2018 due to higher raw material costs. Net margins continued to remain around 1 percent.

•Susceptibility to fluctuations in agro-based raw material price

Operations are exposed to the inherent risks associated with the agriculture-based commodity business, such as availability of raw materials, fluctuations in prices, and changes in government regulations. The group is engaged in the extracting and refining of edible oil. The prices of crude edible oil are volatile in nature hence the profitability is highly susceptible to the ability of the company to pass on the same to its customers. Further, the demand-supply of soya bean oil and De-oiled cake (DOC) is affected by change in regulations in exporting and importing countries.

Liquidity Position: Adequate

SSFPL's liquidity profile is marked by current ratio of 1.24 times as on March 31, 2019. SSFPL's net cash accruals are expected to be in the range of Rs. 5.00-7.00 crore for period FY2020-2022 against no repayment obligations for the same period. The company's operations are moderately working capital intensive marked by GCA of 85 days in FY2019 and 102 in FY2018. This makes the company dependent on bank borrowing to fund its working capital requirement. The average bank limit utilization stood at ~85 percent for the six month period ended May 2020. Acuite believes SSFPL's liquidity profile to remain adequate over the medium term on account of its adequate cash accruals and no repayment obligations against the same.

Rating Sensitivities

- Significant improvement in operating performance
- Any elongation of working capital cycle leading to increased dependence on banking borrowing will be a key rating sensitivity.

Material Covenants

None

Outlook: Stable

Acuite believes that SSFPL will maintain a 'Stable' outlook over the medium term owing to its promoters' extensive experience, established track record of operations and position in the industry and moderate financial risk profile. The outlook may be revised to 'Positive' if the company registers higher than expected revenue growth while improving its profitability. Conversely, the outlook may be revised to 'Negative' if the company achieves lower than expected revenue growth, further decline in profitability or deterioration of financial risk profile.

About the Rated Entity – Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	432.23	263.95
Profit after Tax (PAT)	Rs. Cr.	4.21	3.60
PAT Margin	(%)	0.97	1.37
Total Debt/Tangible Net Worth	Times	1.90	1.66
PBDIT/Interest	Times	2.28	2.87

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

India Ratings vide its press release dated January 28, 2020 has mentioned the rating of SSFPL as 'IND BB+' (Issuer not co-operating)' as on January 28, 2020.

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Trading Entities - <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 (Upto last three years)

None

*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	55.00	ACUITE BBB-/Stable
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB-/Stable

Contacts

Analytical	Rating Desk
<p>Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in</p> <p>Parth Pandit Analyst - Rating Operations Tel: 022-49294032 parth.pandit@acuite.in</p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in</p>

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (erstwhile SMERA Ratings 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.