

## Press Release

**Sai Smaran Foods Private Limited**

June 29, 2020



### Rating Assigned

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

\* Refer Annexure for details

### Rating Rationale

Acuité 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, Acuité 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.

Acuité 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. Acuité 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

Acuité 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

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### About Acuité Ratings & Research:

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