

## Press Release

Sai Smaran Foods Private Limited

December 23, 2022

## Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	64.75	ACUITE BBB-   Negative   Reaffirmed   Stable to Negative	-
Bank Loan Ratings	0.25	-	ACUITE A3   Reaffirmed
Total Outstanding Quantum (Rs. Cr)	65.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

## Rating Rationale

Acuite has reaffirmed its long-term rating to '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and short-term rating to '**ACUITE A3**' (read as **ACUITE A three**) on Rs.65.00 Cr bank facilities of Sai Smaran Foods Pvt Ltd (SSFPL). The outlook is revised from '**Stable**' to '**Negative**'.

### Rationale for revision in outlook

The revision in outlook is reflective of the consistent deterioration in the revenue and deterioration in the liquidity position of the company. Revenue of the company has consistently deteriorated since FY20 and stood at Rs.384.31 Cr in FY22 as against 431.54 Cr in FY21 and Rs. 504.34 Cr in FY20. Further, the liquidity position of the company is stretched marked by high reliance on working capital limits with average utilization at 96.99 percent for 6 months ended October 2022. The reaffirmation of rating however draws comfort from SSFPL's experience management and company's moderate financial risk profile.

### About the Company

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 90,000 metric tonnes per annum (MTPA) of soya seed extraction, 15,000 MTA of extruded soya seed, 18,000 MTPA of soya refined oil and 73,000 MTPA of de-oiled cake extraction. It has recently installed extruded oil meal plant of 12,000 MTPA which is primarily used to produce export quality of oil meal.

### Analytical Approach

Acuite has considered the standalone business and financial risk profiles of SSFPL to arrive at the rating.

## 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, who takes care of the day to day operations. Mr. Goenka is supported by his son and daughter in law, who are also directors in the company. The promoters has over two decades of experience in the industry. The company has a long track record of operations and established presence in the industry. SSFPL, under the leadership of its promoter has maintained long-standing relations with some 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**

The financial risk profile of the company stood moderate with a modest net worth, moderate gearing and comfortable debt protection metrics. The tangible net worth of the company stood at Rs.60.06 Cr as on 31st March, 2022 as against Rs. 48.86 Cr as on 31st March, 2021. Increase in tangible net worth is on account of increase in accretion of profits to reserves. Total debt of the company stood at Rs. 60.72 Cr as on 31st March 2022 as against Rs. 26.22 Cr as on 31st March 2021. Higher debt levels in FY22 are due to the higher utilization of working capital limits. Gearing of the company increased at 1.01 times as on 31st March, 2022 as against 0.54 Cr as on 31st March 2021. TOL/TNW of the company stood at 1.20 times as on 31st March 2022 as against 1.07 times as on 31st March 2021. Interest coverage ratio of the company stood at 3.88 times in FY22 as against 6.64 times in FY21.

Acuité believes that the financial risk profile of the company will continue to remain moderate on account of no major debt funded capex over the medium term.

### Weaknesses

#### **Declining operating revenue**

The operating income of the company has seen a significant deterioration reflected by degrowth of 8.66 percent over the last three years through FY22. The operating income of the company stood at Rs.384.31 Cr in FY22 as against 431.54 Cr in FY21. Further, the capacity utilisation at its plant has also seen a consistent decline during the last three years. The capacity utilisation of Refined Soya oil dropped to 22.75 percent during FY22 as against 44.93 percent in FY21 whereas the capacity utilisation of Soya de-oiled cakes dropped and stood at 41.90 percent in FY22 as against 52.58 percent in FY21. The company has recorded Rs. 265 Cr of revenue till November 2022.

While the operating income has seen a consistent deterioration, profitability of the company has seen an improvement both in absolute terms and in terms of margins. Operating profit margin of the company improved in FY2022 at 4.07 percent in FY22 as against 2.95 percent in FY21. Operating profit in absolute terms has also improved at Rs.15.66 Cr in FY22 as against Rs. 12.75 Cr in FY21. Such improvement in operating profitability is led by lower raw material cost in FY22. PAT margins also saw a subsequent improvement at 2.91 percent in FY22 as against 1.74 percent in FY21.

Acuite believes that the improvement in scale of operations and profitability levels will remain key sensitivities factors in the medium term.

#### **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.

### Rating Sensitivities

Sustained growth in scale of operations and profitability

Any stretch in working capital and deterioration in liquidity position

### Material covenants

None

### Liquidity Position

#### Stretched

Liquidity of the company is stretched marked by high reliance of the company on working capital limits. Bank limits utilisation of the company stood at 96.99 percent for 6 months ended October 2022. Net cash accruals of the company have however improved on account of improvement in profitability. Net cash accruals of the company stood at Rs. 12.53 Cr in FY22 as against 8.74 Cr in FY21. The company maintains unencumbered cash balance of Rs. 2.31 Cr as on 31st March 2022. Current ratio of the company stood at 1.51 times as on 31st March 2022 as against 1.54 times as on 31st March 2021

Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy cash accruals against no maturing debt obligations.

### Outlook: Negative

Acuité believes that SSFPL's credit profile will be impacted by the moderation in revenues along with the stretched liquidity position of the company. The rating may be downgraded in case of further deterioration in operating income and further stretch in liquidity position of the company. The outlook may be revised to 'Stable' in case of sustained improvement in revenues while maintaining profitability at current levels.

### Other Factors affecting Rating

None

### Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	384.31	431.54
PAT	Rs. Cr.	11.19	7.53
PAT Margin	(%)	2.91	1.74
Total Debt/Tangible Net Worth	Times	1.01	0.54
PBDIT/Interest	Times	3.88	6.64

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

None

### Any other information

None

### Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite' s categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in).

### Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
27 Sep 2021	Bank Guarantee	Short Term	0.25	ACUITE A3 (Assigned)
	Cash Credit	Long Term	60.00	ACUITE BBB-   Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	4.75	ACUITE BBB-   Stable (Reaffirmed)
29 Jun 2020	Cash Credit	Long Term	55.00	ACUITE BBB-   Stable (Assigned)
	Proposed Bank Facility	Long Term	10.00	ACUITE BBB-   Stable (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	0.25	ACUITE A3   Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	60.00	ACUITE BBB-   Negative   Reaffirmed   Stable to Negative
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	4.75	ACUITE BBB-   Negative   Reaffirmed   Stable to Negative

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### About Acuité Ratings & Research

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