

## Press Release

### Satidadi Agro Manufacturers Private Limited

August 05, 2020



### Rating Assigned

<b>Total Bank Facilities Rated*</b>	Rs. 26.00 Cr.
<b>Long Term Rating</b>	ACUITE B/Stable (Assigned)
<b>Short Term Rating</b>	ACUITE A4 (Assigned)

\* Refer Annexure for details

### Rating Rationale

Acuité has assigned the long term rating of '**ACUITE B** (**read as ACUITE B**) and the short term rating of '**ACUITE A4** (**read as ACUITE A four**) on the Rs 26.00 crore bank facilities of Satidadi Agro Manufacturers Private Limited (SAPL). The outlook is '**Stable**'.

Satidadi Agro Manufacturers Private Limited (SAPL) is a West Bengal based company having its manufacturing unit in Siliguri, West Bengal. The company was incorporated in 2009 and started its operations from February, 2018. SAPL is engaged in manufacturing of pasta and vermicelli with an installed capacity of 6000 MTPA. Currently, the company is managed by Mr. Murari Lal Kedia, Mr. Bipul Kumar Kedia and Mr. Shiw Shankar Agarwal. The company procures its raw materials from Indore, Gorakhpur, Bihar and Siliguri and caters to its customers in North India and North-Eastern region of India. The company also exports to Nepal, Bhutan and Bangladesh, which contributes to less than 5 percent of the total revenue.

### Analytical Approach

Acuité has considered the standalone business and financial risk profile of SAPL to arrive at the rating.

### Key Rating Drivers

#### Strengths

- Experienced management and moderate track record of operations**

The company was incorporated in 2009 and the commercial operations started in February, 2018 thus, having a moderate track record of two years. Currently, the company is managed by its directors Mr. Murari Lal Kedia, Mr. Bipul Kumar Kedia and Mr. Shiw Shankar Agarwal. Mr. Murari Lal Kedia and Mr. Bipul Kumar Kedia who have been engaged in trading of similar products for nearly 15 years and therefore has experience of over a decade in a similar line of operations. Acuité believes that the company will benefit from its experienced management that will help to maintain long term relations with its customers and suppliers.

#### Weaknesses

- Below average financial risk profile**

The financial risk profile of the company stood below average with low networth, high gearing level, and moderate debt protection metrics. The tangible networth stood at Rs 1.94 crore as on 31st March, 2020 (Provisional) as compared to Rs 2.66 crore in the previous year. The decrease in networth is mainly due to accumulated losses. The gearing (debt-equity) stood high at 7.11 times as on 31st March, 2020 (Provisional) as compared to 5.79 times in the previous year. The total debt of Rs 13.81 crore as on 31st March, 2020 (Provisional) consists of a term loan of Rs 6.92 crore, unsecured loan from directors of Rs 4.26 crore and working capital borrowings of Rs 2.63 crore. The coverage indicators stood modest marked by Interest coverage ratio (ICR) which stood at 1.66 times for FY 2020 (Provisional) as compared to 1.22 times in FY 2019 and DSCR (Debt Service Coverage Ratio) stood at 0.86 times as against 0.46 times in the previous year. NCA/TD (Net Cash Accruals to Total Debt) ratio stood at 0.07 times in FY 2020 (Provisional) and 0.02 times in FY2019. Debt to EBITDA stood at 6.23 times in FY 2020 (Provisional) as against 12.59 times in FY2019. The financial risk profile is expected to deteriorate over the medium term on account of debt-funded capex plan of Rs 2.20 crore funded by infusion of Share Capital, Bank Loans and Unsecured loans for an increase in installed capacity.

• **Relatively small scale of operations**

The revenue of the company stood at Rs 10.24 crore in FY 2020 (Provisional) as compared to Rs 7.60 crore in FY 2019. The operating profit stood modest at 21.34 percent in FY 2020 (Provisional) as compared to Rs 15.77 percent in FY 2019. Further, PAT margin stood negative at 14.77 percent in FY 2020 (Provisional) as compared to 31.8 percent in FY 2020. The scale of operations is expected to improve over the medium term on account of improvement in capacity from 6000 MTPA to 18000 MTPA.

**Rating Sensitivity**

- Substantial growth in revenue coupled with improving its profitability
- Improvement in the financial risk profile

**Material Covenants**

None

**Liquidity Profile: Stretched**

SAPL has stretched liquidity marked by moderate cash accruals to its maturing debt obligations. The company generated cash accruals of Rs 0.04-0.98 crore in FY 2018-2020 (Provisional) while its maturing debt obligations were around Rs 1.87-1.55 crore during the same period. The cash accruals of the company are estimated to remain in the range of around Rs. 1.93-6.62 crore during 2021-23 against estimated repayment obligation of around Rs. 4.10-3.70 crore during FY 2021- 2023. The working capital operations of the company are moderately marked by GCA (Gross Current Assets) Days of 106 days in FY 2020 (Provisional) as compared to 142 days in the previous year. The company maintains unencumbered cash and bank balances of Rs. 0.06 crore as on March 31, 2020 (Provisional). The current ratio stood at 0.68 times as on March 31, 2020 (Provisional). The working capital limits remained utilized at an average of around 95 percent for 12 months ended May, 2020. Acuité believes that the liquidity of the company is likely to remain stretched over the medium term.

**Outlook: Stable**

Acuité believes that SAPL will maintain 'Stable' outlook over the medium term from its promoter's experience in a similar line of operations. The outlook may be revised to 'Positive' if the company achieves more than envisaged sales and profitability while efficiently managing its working capital cycle. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve growth in revenue and profitability or further deterioration in the financial risk profile.

**About the Rated Entity - Key Financials**

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	10.24	7.60
PAT	Rs. Cr.	(1.51)	(2.42)
PAT Margin	(%)	(14.77)	(31.81)
Total Debt/Tangible Net Worth	Times	7.11	5.79
PBDIT/Interest	Times	1.66	1.22

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

None

**Any other information**

Not Applicable

**Applicable Criteria**

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

**Note on complexity levels of the rated instrument**

<https://www.acuite.in/view-rating-criteria-55.htm>

**Rating History (Upto last three years)**

Not Applicable

**\*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	24 <sup>th</sup> August, 2017	Not Applicable	Not Applicable	2.65	ACUITE B/Stable (Assigned)
Term Loan	24 <sup>th</sup> August, 2017	Not Applicable	Not Applicable	6.60	ACUITE B/Stable (Assigned)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.75	ACUITE B/Stable (Assigned)
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	15.50	ACUITE B/Stable (Assigned)
Bank Guarantee/ Letter of Guarantee	24 <sup>th</sup> August, 2017	Not Applicable	Not Applicable	0.50	ACUITE A4 (Assigned)

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**About Acuité Ratings & Research:**

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