

Press Release

Shreyas Sortex Industries Private Limited

December 21, 2021



Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	70.00	ACUITE BBB- Stable Assigned	
Total	70.00	-	-

Rating Rationale

Acuité has assigned the long-term rating of '**ACUITE BBB-**' (read as ACUITE triple B minus) to the Rs. 70.00 crore bank facilities of Shreyas Sortex Industries Private Limited (SSPL). The outlook is 'Stable'.

About the Company

Shreyas Sortex Industries Private Limited, established in 2015 as a private limited company by Mr. Vinay Kumar Singh and Mrs. Tara Singh. The company mills and processes basmati and non-basmati rice. The company is running a unit of Automatic Rice Mill at Balia, Uttar Pradesh with the capacity of 54 M.T. per hour. The commercial production of the unit started in November 2015 with installed Capacity of 10 MT per hour which was further expanded by 20 MT per hour in December 2016 and 12 MT per hour in Feb 2018. In November 2021, the company added another 12MT per hour.

Analytical Approach

For arriving at the rating, Acuité has taken standalone view on the business and financial risk profile of SSPL.

Key Rating Drivers

Strengths

>Revenue and Profitability

Revenue of the company slightly increased to Rs. 235.71 in FY2021 from 231.68 crore in FY2020. Further, the company has booked revenue of Rs. 250.01 Cr as on 30 September 2021. The company's revenue growth is driven by optimal utilization levels of the increased installed capacity. On the back of increase in raw material prices (paddy) in the past year i.e. FY21 the operating margins stood lower at 6.26 per cent in FY2021 as against 7.50 per cent in FY2020. However, Profit after Tax (PAT) margin stood improved at 0.60 per cent in FY2021 as against 0.38 per cent in FY2020 on the back of lower interest and depreciation charges. The margins of the company move in tandem with the raw material prices which remained volatile during the period under study. Any significant changes in raw material prices due to import pressure and oversupply would have an impact on the revenues and margins of the company.

> Moderate Financial risk profile

The financial risk profile of the company stood moderate marked by moderate net worth, moderate coverage metrics. The net worth of the company stood at Rs. 22.64 crore as on 31 March 2021 as against Rs. 21.22 crore as on 31 March 2020. The gearing (debt/equity) of the company stood at 3.56 times as on 31 March 2021 as against 3.55 times as on 31 March 2020. However, till 31st March 2021 the promoters have infused total Unsecured Loan in the business to the tune of Rs. 24.21 Cr which has adjusted the gearing levels to 2.49 times. Also,

unsecured loans from promoters are expected to be converted into equity share capital by the end FY2022. Total debt of the company stood at Rs. 80.67 crore as on 31 March, 2021 which comprises of short term debt of Rs. 39.73 Cr, long term debt of Rs. 11.39 Cr, Unsecured Loans of Rs. 11.39 Cr and Current portion of long term debt of Rs. 5.34 Cr. Coverage metrics of the company moderated as can be seen from interest coverage ratio of 1.96 time for FY2021 as against 2.03 times for FY2020 and 2.51 times in FY2019. Further, debt service coverage ratio stood at 1.39 times in FY2021 as against 1.33 times in FY2020. Also, Total outside liabilities to total net worth (TOL/TNW) stood higher at 4.41 times in FY2021 as against 4.08 times in FY2020.

Weaknesses

>Raw material prices are vulnerable to climatic conditions and agricultural output

The key raw material procured by SSIPPL is paddy. Being agro-product, Paddy is vulnerable to agro-climatic conditions, which affect their availability and price. As food processing business is raw material intensive, any inability to pass on the price has a critical bearing on the profitability metrics.

>Highly Competitive Industry

The company operates in a highly competitive and fragmented industry characterised by a large number of unorganised as well as organised players thereby affecting the profitability margins of the company.

>Intensive working capital operations

Intensive working capital requirements as evident from gross current assets (GCA) of 138 days for FY2021 as against 114 days for FY2020. The deterioration is majorly on account of increase in debtor days of 71 days as on 31 March 2021 as against 40 days in the previous year, the increase in debtor days is due to disruption caused by Covid-19 pandemic. However, the debtor position has improved in 1HFY2022. Inventory days stood improved at 49 days as on 31 March 2021 as against 79 days in previous year. Current Ratio stood at 1.39 times as on 31 March 2021 as against 1.33 in the previous year.

Rating Sensitivities

>Deterioration in profitability margins, thereby impacting debt coverage indicators

>Significant decline in scale of operations

> Further elongation in working capital cycle

Material covenants

None

Liquidity Position: Adequate

The company has adequate long-term liquidity marked by healthy net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs. 7.37 crore for FY2021 as against Rs. 5.34 crore of repayment obligations for the same period. However, the average utilization stood high for fund based facility at 92.15 per cent in the last six months ending October 2021. The company has unencumbered cash and bank balances of only Rs. 0.50 crore as on 31st March 2021. Therefore, there is adequate net cash accruals & limits available to utilize to support incremental requirements if any

Outlook: Stable

Acuité believes that SSPL will maintain a 'Stable' outlook over the medium term on the back of promoters' experience in the industry and moderate financial risk profile . The outlook may be revised to 'Positive' in case the company registers higher-than expected growth in its revenue and profitability while improving its liquidity position. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability or in case of deterioration in the company's financial risk profile or further elongation in working capital cycle.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	235.71	231.68
PAT	Rs. Cr.	1.42	0.89
PAT Margin	(%)	0.60	0.38
Total Debt/Tangible Net Worth	Times	3.56	3.55
PBDIT/Interest	Times	1.96	2.03

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

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

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB- Stable Assigned
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	40.00	ACUITE BBB- Stable Assigned
Not Applicable	Not Applicable	Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.74	ACUITE BBB- Stable Assigned
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	16.26	ACUITE BBB- Stable Assigned

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About Acuité Ratings & Research

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