



Press Release
SHREYA S SORTEX INDUSTRIES PRIVATE LIMITED
August 08, 2024
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	156.00	ACUITE A- Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	156.00	-	-

Rating Rationale

Acuite has assigned its long-term rating to '**ACUITE A-**' (read as **ACUITE A minus**) on the Rs. 156.00 Cr. bank facilities of Shreyas Sortex Industries Private Limited. The outlook is '**Stable**'.

Rationale for Rating assigned

The rating reflects established track record and experience of the management in the industry which leads to growing scale of operations. The rating gets comfort from geographic location, financial risk profile & liquidity profile. However, rating is constraint with moderate working capital of operations, fragmented nature of industry and regulatory risk.

About the Company

Shreyas Sortex Industries Private Limited (SSIPL) was incorporated in 2015 as a private limited company by Mr. Vinay Kumar Singh and Mrs. Tara Singh. The company is engaged in milling and processing of Basmati rice and non-Basmati rice. The manufacturing facility of the company is located at Balia in Uttar Pradesh, equipped with an installed capacity of 54 M.T. per hour. The products manufactured by the company are completely sold under its own brands viz. Suhela and Shreyas across various parts of India – the company has 18 brands for selling rice.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has taken standalone financial and business risk profile of Shreyas Sortex Industries Private Limited to arrive at this rating.

Key Rating Drivers

Strengths

Experienced Management

The company is promoted by reputed family having rich experience in manufacturing of basmati and non-basmati rice. Their experience leads to improvement in scale of operations year on year and has established relations with their suppliers and customers which ensured the continuous growth in the operations of the business.

Improving Scale of Operations & Profitability

The revenue from the operations of the company has improved by 39.41%, thereby increasing the topline from Rs. 1050.21 Cr. in FY 23 to Rs. 1464.11 Cr. In FY 24. The operating margin of the company improved by 427 bps in FY 24. Operating margin of the company stood at 7.56% in

FY 24 against 3.29% in FY 23. The Net margin improved by 316 bps which stood at 4.63% in FY 24 against 1.47% in FY 23. The company has recorded the revenue from operations of Rs. 510.80 Cr. in Q1 FY 24-25 against Rs. 494.25 Cr. in Q1 PY 23-24. The margins are supported by increased demand and ageing of the rice.

Financial Risk profile

The company's financial risk profile is marked by healthy net worth, gearing and debt protection metrics. The tangible net worth of the company improved to Rs. 182.37 Cr. as on March 31, 2024, from Rs. 69.72 Cr. as on March 31, 2023, due to accretion of profits in reserves and treatment of unsecured loans as quasi equity. The Gearing of the company improved and stood at 0.86 times as on March 31, 2024 as against 2.92 times as on March 31, 2023. The debt protection metrics of the company is marked by ISCR at 6.89 times and DSCR at 4.22 times as on March 31, 2024. ROCE of the company is 35.12% in FY 24. Acuité believes that going forward the financial risk profile of the company will improve backed by steady accruals.

Weaknesses

Moderate working capital operations

The moderate working capital management of the company is marked by Gross Current Assets (GCA) of 121 days as on 31st March 2024 as compared to 91 days as on 31st March 2023. The GCA days are moderate on account of inventory days which are at 115 days due to ageing. Acuité believes that the working capital operations of the company will remain almost at the same levels as they are charging premiums due to ageing of the inventory.

Fragmented Nature of Industry and Regulatory Risk

The rice industry has an intense competition due to low entry barriers which limits the price fixing of the product. In addition to that, government influences the price of the rice in the market by declaring the MSP (Minimum Support Price) which may affect the profitability of the rice miller.

Rating Sensitivities

- Improving scale of operations & Profitability
- Elongation in the working capital operations

Liquidity Position

Strong

The company has strong liquidity marked by net cash accruals to its maturing debt obligations, current ratio, cash and bank balance. The company generated the net cash accruals of Rs. 72 Cr. for FY 24 as against the debt repayment obligations of Rs. 4.73 Cr. for the same period. The current ratio of the company stood at 1.50 times as on 31 March 2024. The cash and bank balances of company stood at Rs. 5.90 crores. The average utilization of fund-based limits for last 12 months ending June 2024 is 84.74%. The liquidity of the company is expected to improve as company is expecting to generate steady cash accruals in next medium term indicating availability of funds for any future endeavours.

Outlook: Stable

Acuite believes that SSIPL will maintain a 'Stable' outlook and benefit over the medium term from its experienced management. The outlook may be revised to 'Positive', if the firm achieves more than expected growth in terms of revenue and profitability. The outlook would be revised to negative, if there is decline in financial performance of the company.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	1464.11	1050.21
PAT	Rs. Cr.	67.86	15.42
PAT Margin	(%)	4.63	1.47
Total Debt/Tangible Net Worth	Times	0.86	2.92
PBDIT/Interest	Times	6.89	3.76

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

Not Applicable

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, Acuite 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.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
17 Mar 2023	Cash Credit	Long Term	50.00	ACUITE Not Applicable (Withdrawn)
	Term Loan	Long Term	16.26	ACUITE Not Applicable (Withdrawn)
	Proposed Cash Credit	Long Term	3.74	ACUITE Not Applicable (Withdrawn)
21 Dec 2021	Cash Credit	Long Term	10.00	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	40.00	ACUITE BBB- Stable (Assigned)
	Proposed Cash Credit	Long Term	3.74	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	16.26	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
Punjab National Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	150.00	ACUITE A- Stable Assigned
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.32	ACUITE A- Stable Assigned
Punjab National Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Apr 2025	Simple	1.15	ACUITE A- Stable Assigned
Punjab National Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Dec 2027	Simple	3.53	ACUITE A- Stable Assigned

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, Mumbai.

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