

Press Release

Suraj Impex India Private Limited

September 14, 2022



Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	190.00	ACUITE BBB- Stable Assigned	-
Bank Loan Ratings	60.00	-	ACUITE A3 Assigned
Total Outstanding Quantum (Rs. Cr)	250.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B Minus**) and short-term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs.250.00 Cr bank facilities of Suraj Impex India Private Limited (SIPL). The outlook is '**Stable**'.

Rationale for rating assignment

The rating factors the comfortable financial risk profile in FY2022 due to healthy accretion to reserves thereby declining its dependence on external funding. The debt to equity of the company stood at 0.59 times as on March 31, 2022 (Provisional) against 2.61 times in the previous year. Also, the rating takes into account the extensive promoter experience, efficient working capital management and adequate liquidity.

However, the rating remains constrained due to volatility in demand and prices of agricultural products and changing Government policies. Also, the company derives substantial portion of its revenue through exports. Any change in overseas demand adversely impacts the revenue and profitability, marked by decline in revenue to Rs. 400 Cr in FY2020 against an average annual revenue of 800-1000 Cr.

About the Company

Incorporated In 1997 the Indore based company engaged in merchant export and domestic supply of agri-commodities mainly Soybean Meal, Indian Yellow Maize, Sunflower Extraction, Rapeseed Meal, Groundnut Meal and other Oil Meals in Containers, in Bulk or in Jute / PP Bags. The company is promoted and managed by Vinod Kumar Jain. SIPL has five warehouses across Tamil Nadu with aggregate surface area of 1,50,000 square feet. Additionally, in FY2016 the company set up a solar plant of 2 Megawatt near Telangana. The company has entered into PPA for 25 years with Telangana Electricity Board.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of SIPL to arrive at

the rating.

Key Rating Drivers

Strengths

- **Experience of promoters and established track record of operations:**

SIPL was incorporated in 1997. The company is promoted and managed by Vinod Kumar Jain. Vinod Kumar Jain has an experience of 35 years in the agro industry. The company exports its agricultural products to Vietnam, Indonesia, Malaysia, Philippines, Japan, Sri Lanka, Kuwait, Thailand and Pakistan. It derives more than 50 percent of its revenue through exports except in FY2022 (provisional), wherein the export contribution reduced to 28 percent. Additionally, the major client base consists of companies engaged in poultry and manufacture of animal feeds. The clientele consists of Suguna Foods Private Limited, SKM Animal Feeds and Foods (India) Private Limited, Abis Exports India Private Limited, Enerfo Pte Ltd. The company derives ~35-40 percent of the company through its top 5 customers.

Acuite believes the company shall benefit due to its established clientele and promoter experience over the medium term.

- **Moderate financial risk profile:**

The financial risk profile of the company is moderate marked by moderate net worth, low debt and adequate coverage indicators. The net worth of the company stood at Rs. 171.26 Cr as on March 31, 2022 (Provisional) against Rs. 96.80 Cr in the previous year. The increase in net worth is attributable to healthy accretion to reserves. The company earned an aggregate profit after tax of Rs. 74.43 Cr in FY2022 (Provisional) against Rs. 9.05 Cr in FY2021.

The total debt of the company stood at Rs. 100.41 Cr as on March 31, 2022 (Provisional) against Rs. 252.58 Cr as on March 31, 2021. The reduction in debt is attributable to reduction in the working capital cycle days to 45 in FY2022 against 146 in the previous year and healthy accretion to reserves considering increase in demand of soyabean meal in FY2022 (Provisional). The leverage policy has evolved from aggressive to conservative in FY2022.

Further, the operating margins of the company ensure adequate coverage indicators marked by interest coverage (ICR) and debt service coverage ratio (DSCR) of 9.85 times and 5.97 times in FY2022 (Provisional).

- **Efficient working capital management:**

The working capital cycle (WC) days of the company stood at 45 in FY2022 (Provisional) against 146 and 203 in FY2021 and FY2020 respectively. The working capital cycle days consists of inventory days of 52 in FY2022 (Provisional) against 161 and 220 in FY2021 and FY2020. The substantial reduction in WC days is on account of reduction in inventory holding period considering the high demand and limited supply in FY2022 (Provisional). The company supplies on the basis of advance payment or letter of credit in case of exports and payment on delivery for domestic sales.

Acuite believes going forward the WC cycle days is expected to remain around 60-80. WC cycle management will remain a key rating sensitivity.

Weaknesses

- **Volatility in revenue and profitability:**

The business of the company is largely driven by global demand and changing prices of agri-commodities. The sales composition has been volatile over the years. In FY2022 (Provisional), the company derived 28 percent of its revenue through exports whereas in FY2021 and FY2020 the company derived 82 percent and 35 percent through exports respectively. The revenue of the company is majorly earned during the period from Oct-Mar.

The revenue ranges from Rs. 392-1758 Cr in FY2020-22. In FY2022 on account of increase in demand for soyabean meal the government allowed imports of soyabean meal. The company as a result imported soyabean meal at low prices and sold in the domestic markets. The company earned an aggregate revenue of Rs. 1758.65 Cr in FY2022 (Provisional) against

operating margins of ~6 percent. However, the revenue remained at Rs. 744.62 Cr against EBITDA margin of 3 percent in FY2021.

Nonetheless, going forward the revenue and operating margins are expected to be around 800-1000 Cr and 3-3.5 percent respectively.

•Susceptible to volatility in agriculture commodity prices and change in Government policies:

The prices of commodities are linked to agricultural production, which, in turn, is susceptible to monsoon, acreage, and yield. Further, the company's dependence on exports exposes it to foreign exchange fluctuation risk. Also, agricultural commodities are highly regulated by the government on the basis of domestic demand and inflationary conditions.

Rating Sensitivities

- Sustained improvement in revenue while maintaining profitability.
- Deterioration in the financial risk profile due to reduction in revenue and profitability and overall stretch in working capital cycle days.

Material covenants

None.

Liquidity: Adequate

The net cash accruals of the company was in the range 6-75 Cr through FY2020-22 against repayment obligations 0.94-3.13 Cr. Going forward, the net cash accruals are expected to be in the range of 19-20 Cr through FY2023-24 against repayment obligations of Rs. 10.00 Cr. The working capital cycle days of the company is ~60-80 days. However, in FY2022 considering the high demand and limited inventory holding period the working capital cycle days reduced 45. Further, the bank limit utilization stood modest at 37 percent. Also, the company has adequate cash and bank balance of ~Rs. 9 Cr and current ratio of 2.42 times as on March 31, 2022 (Provisional).

Outlook: Stable

Acuité believes that SIPL will maintain a 'Stable' outlook over the medium term supported by experienced promoters and established clientele and moderate financial risk profile. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of lower-than expected revenues and profit margins, leading to deterioration in financial risk profile and/or deterioration in working capital.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	1758.65	747.11
PAT	Rs. Cr.	74.43	9.05
PAT Margin	(%)	4.23	1.21
Total Debt/Tangible Net Worth	Times	0.59	2.61
PBDIT/Interest	Times	9.85	1.44

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>
- Trading Entity: <https://www.acuite.in/view-rating-criteria-61.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>

Rating History:

Not applicable.

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	115.85	ACUITE BBB- Stable Assigned
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	16.38	ACUITE BBB- Stable Assigned
Punjab National Bank	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	17.73	ACUITE BBB- Stable Assigned
Union Bank of India	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	9.82	ACUITE BBB- Stable Assigned
Bank of Baroda	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	5.65	ACUITE BBB- Stable Assigned
Union Bank of India	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	60.00	ACUITE A3 Assigned
Bank of Baroda	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	24.57	ACUITE BBB- Stable Assigned

Punjab National Bank – Cash credit (CC) includes FOBP/FOUBP/FOUBNLC, EPC, ILC/FLC as sublimit

Union Bank of India – EPC includes CC of Rs. 25.00 Cr and Letter of credit of Rs. 19.35 Cr as sublimit

Bank of Baroda – CC includes EPC/FPB/FBD/FBNLC of Rs. 11.79 Cr as sublimit.

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About Acuité Ratings & Research

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