



Press Release
Sael Agri Commodities Limited
July 26, 2024
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	886.50	ACUITE A- Stable Reaffirmed	-
Bank Loan Ratings	313.50	-	ACUITE A2+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	1200.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE A-**' (read as **ACUITE A minus**) and short-term rating of '**ACUITE A2+**' (read as **ACUITE A Two plus**) on the Rs.1200 Cr. bank facilities of SAEL Agri Commodities Limited (SACL). The outlook is '**Stable**'.

Rationale for reaffirmation:

The rating reaffirms the extensive experience of the promoters in the agrobusiness, along with a long track record of operations, healthy operating income with stable operating margins since the last two years ending FY2024, and a moderate financial risk profile supported by a sizeable net worth. SACL recorded revenue of Rs.3575.45 Cr. in FY2024, registering a YOY growth rate of 9.30 percent as compared to FY2023. EBITDA margins are in the range of 6.65–6.95 percent over the last two years ended FY 2024.

The rating, however, remains constrained by the working capital-intensive nature of operations, primarily due to higher inventory days, which is a general standard in this industry, and volatility in prices on account of the seasonality of the crop.

About the Company

SAEL Agri Commodities limited was incorporated in 2021 in Firozpur, Punjab. It is an agro-based industry with manufacturing facilities for integrated rice shelling units, solvent extraction plants, power generation, biomass, and solar. The company deals in various varieties of basmati and non-basmati rice under the brand names Ekam, Adina, Nyce, and Sukhbir through their state-of-the-art manufacturing facilities located at Powayan, district Shahjahanpur; Ghazipur, district Fatehullapur; and Guruharsahai, district Firozepur, Punjab. The byproducts, namely rice bran, are directly used in the solvent extraction plant for the production of rice bran oil, and husk is used as fuel in the biomass power plant for the generation of electricity, which is sold to UPPCL. Solar power generated is used for capacity consumption. The directors are Mr. Jasbir Singh, Mr. Sukhbir Singh, and Mr. Laxit Awla.

About the Group

SAEL Limited (erstwhile Sukhbir Agro Energy Ltd) was incorporated as a private limited company under the name of Sukhbir Agros Private Limited on December 21, 1999, in Punjab. The company was subsequently converted into a public company and its name was changed to Sukhbir Agro Energy Limited on June 30, 2006. SAEL is primarily engaged in the milling of rice (both basmati and non-basmati varieties), manufacturing of crude rice bran oil, biomass-based power generation (15 MW in Haryana and 46 MW in Punjab), Solar Power generation (152 MW in Uttar Pradesh, 20MW in Maharashtra) and warehousing. The company has three manufacturing units located at Ferozepur (Punjab), Ghazipur and Shahjahanpur (both in Uttar Pradesh). The company sells its rice under the brand name of 'Sukhbir', 'Adina',

'Mahavat', 'Ekam' and 'Nyce'. Under the warehousing business the company has set up godowns at 10 different locations in U.P. with aggregate capacity of 5.71 Lakh Metric Tons (MT) and leased to Food Corporation of India (FCI) through Uttar Pradesh State Warehousing Corporation (UPSWC) for storage of food grains. The directors are Mr. Jasbir Singh, Mr. Sukhbir Singh, Mr. Randeep Singh Grewal, Mr. Romesh Kumar Dhir, Mrs. Sanjeevan Bajaj and Mr. Madan Lal.

SAEL Overseas Limited (erstwhile Sukhbir Overseas Limited) was incorporated in July 2013 in Guruharsahai, Punjab and was expected to commence operation from October 2013. The Company is engaged in the business of procurement & export of rice. SOL is promoted by Mr. Sukhwinder Singh, Mr Jasbir Singh Awla, Mr Raminder Singh Awla, Mr Karnail Singh who has experience in agro based industries, biomass-based power generation, rice milling, trading of food grains, infrastructure and real estate development business. The directors are Mr. Jasbir Singh, Mr. Sandeep Singh and Mr. Laxit Awla.

Unsupported Rating

Not applicable

Analytical Approach

Acuité has considered the standalone business and financial risk profile of SAEL Agri Commodities Limited to arrive at this rating.

Key Rating Drivers

Strengths

- **Experienced management and established track record of operations**

The company is promoted by Jasbir Singh, Mr. Sukhbir Singh, and Mr. Laxit Awla. The management of the company has vast experience spanning more than two decades in agro-based business. The agro-based business was transferred through a slump sale in FY 2022 to SACL. The rice milling units are strategically located in the states of Uttar Pradesh and Punjab, which are in the top three rice-producing states in India. The capacity utilization for the rice plants across all five units stood at 75 percent in FY 2024. Further, the experience of the management will help the company maintain a long-standing relationship with its clientele. Acuité believes that the company will continue to benefit from its experienced management, strategic location advantage, and longstanding relationship with reputed clients.

- **Stable scale of operations**

The company has reported moderate growth, with YOY growth of 9.30 percent in FY2024 as compared to FY2023. Revenues stood at Rs.3,575.45 Cr. in FY2024 against Rs.3271.24 Cr. in FY2023. The improvement in revenue is on account of improved realization. Out of total revenue, 4.19 percent is from exports, and the remaining 96 percent is from domestic sales. The top line comprises revenue from the milling of rice, biomass-based power generation that is sold to UPPCL, solvent extraction, and exports segments. However, the majority of revenue is from rice milling (i.e., around 95–98%). Further, the EBITDA margin of the company are range-bound and is between 6.65 percent and 6.95 percent for the last two years ended FY 2024, in line with other industry players in similar businesses. Acuité believes the revenue of the company will be stable going forward based on the general standard in this industry.

- **Moderate financial risk profile**

The company's financial risk profile is moderate, marked by a healthy net worth and gearing, along with moderate debt protection metrics. The net worth of the company stood at Rs.1290.51 Cr. and Rs.1176.04 Cr. as on March 31, 2024, and 2023, respectively. The improvement is on account of the healthy accumulation of net profit in the reserves.

The gearing of the company stood at 0.77 times as on March 31, 2024, as against 0.78 times as on March 31, 2023. The group's debt protection metrics are moderate, marked by: Interest coverage ratio and debt service coverage ratio stood at 2.40 times and 1.50 times as on March 31, 2024, respectively, as against 2.46 times and 2.01 times as on March 31, 2023, respectively. TOL/TNW stood at 1.48 times and 1.16 times as on March 31, 2024, and 2023, respectively. The debt to EBITDA of the company stood at 4.10 times as of March 2024, as against 3.95 times in FY2023. Acuité expects the leverage and coverage indicators to remain healthy in the near to medium term on the back of a surge in earnings, improving the accruals of the company.

Weaknesses

- **Intensive working capital operations**

The operations of the company are working capital intensive in nature, marked by high GCA (gross current assets) days of 296 days in FY2024 as against 250 days in FY2023. The increase in GCA days is on account of the increase in inventory days, and it also emanates from the high other current asset of Rs.120.03 cr. in FY 2024. Inventory days stood at 261 in FY2024 as against 222 days in FY2023. The inventory days are on the higher side, primarily on account of the fact that the procurement for rice paddy is seasonal-based (i.e., October to February), which results in high inventory days as on March end. Inventory days will remain in a similar range going forward. The company follows the rice aging technique (wherein the company stores the rice for a longer period, which results in a firmer texture and less stickiness compared with the cooked counterparts from freshly harvested paddy). The debtor day stood at 40 days in FY2024 as against 36 days in FY2023. The fund-based bank limit utilization of the company stood at 92 percent for fund-based limits, respectively, for the past 12 months ending May 2024. Acuité believes that the working capital operation of the SACL may continue to remain intensive considering the nature of the industry, where maintaining a higher inventory is an inherent requirement.

- **Commodity price fluctuation**

Paddy, the main raw material required for rice, is a seasonal crop, and production of the same is highly dependent upon the monsoon season. Environmental factors, sound soil fertility, and seasonal monsoons control the output of paddy cultivation, affecting the demand-supply dynamics of basmati and non-basmati rice year-on-year and resulting in price flux. Furthermore, paddy prices are largely dependent on several external factors, like domestic demand outlook, international trade regulations, and domestic production. This exposes the company to the risk associated with fluctuations in raw material prices.

Rating Sensitivities

- Improvement in scale of operation and profitability margin
- Utilization of working capital limits.
- Further stretch in the working capital cycle leading to increased dependence on external debt, weakening the financial risk profile and liquidity.

Liquidity Position: Adequate

The company's liquidity is adequate, with adequate NCAs for its repayment obligations. The company generated cash accruals of Rs.113.75 Cr during FY2024, while its maturing debt obligations were Rs.41.98 Cr. during the same period. The cash accruals of the company are estimated to remain around Rs.132-151 Cr. during FY2025-26 while their repayment obligations are Rs. 41-42Cr. during the same period. The company has maintained unencumbered cash and bank balances Rs.4.63 Cr. and the current ratio stood at 1.65 times as on March 31, 2024. Further, the average bank limit utilization in the last 12 months ended May 24 remained at ~92 percent for fund-based. Acuité expects that the liquidity of the company is likely to be adequate over the medium term on account of healthy cash accruals.

Outlook: Stable

Acuité believes that a company's business risk profile is expected to remain 'stable' on the back of extensive promoter's experience in the rice milling industry and a healthy financial risk profile. The outlook may be revised to 'Positive' in cases of higher than expected improvement in accruals while sustaining their liquidity position. Further, the outlook may be revised to 'Negative' in case of a sharp decline in accruals, a decline in profitability margin, or further elongation in the working capital cycle.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	3575.45	3271.24
PAT	Rs. Cr.	92.49	91.59
PAT Margin	(%)	2.59	2.80
Total Debt/Tangible Net Worth	Times	0.77	0.78
PBDIT/Interest	Times	2.40	2.46

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
28 Apr 2023	Bank Guarantee (BLR)	Short Term	32.50	ACUITE A2+ (Assigned)
	Bank Guarantee (BLR)	Short Term	5.00	ACUITE A2+ (Assigned)
	Letter of Credit	Short Term	39.00	ACUITE A2+ (Assigned)
	Letter of Credit	Short Term	15.50	ACUITE A2+ (Assigned)
	Letter of Credit	Short Term	10.00	ACUITE A2+ (Assigned)
	Letter of Credit	Short Term	6.00	ACUITE A2+ (Assigned)
	Letter of Credit	Short Term	5.50	ACUITE A2+ (Assigned)
	Packing Credit	Short Term	65.00	ACUITE A2+ (Assigned)
	Packing Credit	Short Term	44.50	ACUITE A2+ (Assigned)
	Packing Credit	Short Term	21.00	ACUITE A2+ (Assigned)
	Packing Credit	Short Term	44.50	ACUITE A2+ (Assigned)
	Packing Credit	Short Term	40.00	ACUITE A2+ (Assigned)
	Working Capital Demand Loan (WCDL)	Long Term	288.00	ACUITE A- Stable (Assigned)
	Working Capital Demand Loan (WCDL)	Long Term	90.00	ACUITE A- Stable (Assigned)
	Working Capital Demand Loan (WCDL)	Long Term	18.00	ACUITE A- Stable (Assigned)
	Cash Credit	Long Term	177.00	ACUITE A- Stable (Assigned)
	Cash Credit	Long Term	60.00	ACUITE A- Stable (Assigned)
	Cash Credit	Long Term	32.00	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	183.86	ACUITE A- Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	22.64	ACUITE A- 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.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	32.50	ACUITE A2+ Reaffirmed
State Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE A2+ Reaffirmed
Punjab National Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	192.00	ACUITE A- Stable Reaffirmed
Indian Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	60.00	ACUITE A- Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	32.00	ACUITE A- Stable Reaffirmed
Punjab National Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	39.00	ACUITE A2+ Reaffirmed
Indian Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	15.50	ACUITE A2+ Reaffirmed
State Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	ACUITE A2+ Reaffirmed
UCO Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	6.00	ACUITE A2+ Reaffirmed
Union Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.50	ACUITE A2+ Reaffirmed
Punjab National Bank	Not avl. / Not appl.	Packing Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	50.00	ACUITE A2+ Reaffirmed
Indian Bank	Not avl. / Not appl.	Packing Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	44.50	ACUITE A2+ Reaffirmed
State Bank of India	Not avl. / Not appl.	Packing Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	21.00	ACUITE A2+ Reaffirmed

Union Bank of India	Not avl. / Not appl.	Packing Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	44.50	ACUITE A2+ Reaffirmed
UCO Bank	Not avl. / Not appl.	Packing Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	40.00	ACUITE A2+ Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	74.37	ACUITE A- Stable Reaffirmed
Punjab National Bank	Not avl. / Not appl.	Term Loan	28 Sep 2022	Not avl. / Not appl.	30 Sep 2027	Simple	132.13	ACUITE A- Stable Reaffirmed
Punjab National Bank	Not avl. / Not appl.	Working Capital Demand Loan (WCDL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	288.00	ACUITE A- Stable Reaffirmed
Indian Bank	Not avl. / Not appl.	Working Capital Demand Loan (WCDL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	90.00	ACUITE A- Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Working Capital Demand Loan (WCDL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	18.00	ACUITE A- Stable Reaffirmed

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in Moparthy Anuradha Devi Analyst-Rating Operations Tel: 022-49294065 moparthy.anuradha@acuite.in	Varsha Bist Associate Vice President-Rating Administration Tel: 022-49294011 rating.desk@acuite.in

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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