



Press Release
Suyash Chemical And Fertilizer Private Limited
December 15, 2023
Rating Assigned

| Product | Quantum (Rs. Cr) | Long Term Rating | Short Term Rating |
|---------------------------------------|---------------------|--------------------------------|-----------------------|
| Bank Loan Ratings | 40.88 | ACUITE BB+ Stable Assigned | - |
| Bank Loan Ratings | 18.30 | - | ACUITE A4+ Assigned |
| Total Outstanding Quantum (Rs. Cr) | 59.18 | - | - |

Rating Rationale

ACUITE has assigned its long term rating of **ACUITE BB+(read as ACUITE double B plus)** and short term rating of **ACUITE A4+ (read as ACUITE A four plus)** on the Rs.59.18 Crore bank facilities of Suyash Chemical and Fertilizer Private Limited (SCFPL). The outlook is 'Stable'.

Rationale for rating

The assigned rating takes into consideration the extensive experience of the promoters with an established track record of operations of more than two decades. The rating also factors in the growth in the scale of operations on y-o-y basis since past three years. However, the above mentioned strengths are partly off-set by the intensive working capital operations of the company. Also, the reliance of the company on the external debt is high reflected through an average utilization of approximately 91.66% in last six months ending September 2023. Further highly competitive market and susceptibility to change in raw material prices are constraining factors.

About the Company

Uttar Pradesh based; Suyash Chemical & Fertilizer Private Limited (SCFPL) was incorporated in 1994 as a private limited company. Suyash Chemical & Fertilizer Private Limited is engaged in the processing of wheat into flour, maida, suji, and choker at its flour mill located at Gorakhpur (U.P.). In 2009, the company also ventured into the manufacturing of kraft paper, core pipes, paper tubes and tissue paper from its plant located in Basti (U.P.). Directors of Suyash Chemical and Fertilizer Private Limited are Mr. Ramji Jaiswal, Mr. Manish Jaiswal, Mrs. Shakuntala Jaiswal, Mr. Sarla Jaiswal and Mr. Suyash Jaiswal.

Unsupported Rating

Not Applicable

Analytical Approach

ACUITE has considered the standalone view on the business and financial risk profile of Suyash Chemical And Fertilizer Private Limited to arrive at this rating.

Key Rating Drivers

Strengths

Established track record of operations and experienced management

Incorporated in 2008, SCFPL is promoted by Mr. Ramji Jaiswal, Mr. Manish Jaiswal, Mrs. Shakuntala Jaiswal, Mr. Sarla Jaiswal and Mr. Suyash Jaiswal who have an experience of more

than three decades in the aforementioned industry. The extensive experience of the promoters, their active participation and in-depth understanding of the industry, has helped SCFPL in developing long-term relationships with its customers and suppliers. The company has seen an improvement in the revenue by 8.57% growth. The revenue of the company rose to Rs.208.47 crore in FY2023 from Rs.200.12 crore in FY2022.

Acuite believes that extensive experience of the promoters will help company to flourish in near future.

Moderate financial risk profile

The financial risk profile of the company stood moderate marked by moderate net worth and comfortable debt protection metrics. The tangible net worth stood moderate at Rs.47.99 crore as on 31 March 2023 as against Rs.45.07 crore as on 31 March, 2022. Total debt of the company stood at Rs.52.20 crore as on 31 March 2023 as against Rs.48.68 crore as on 31 March, 2022. Total debt comprises of long-term debt of Rs 23.37 crore, short-term debt of Rs.23.30 crore and USL from directors of Rs.5.53. Due to the rise in total debt the gearing (debt-equity) of the company rose to 1.09 times as on 31 March 2023 as against 1.08 times as on 31 March, 2022. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 1.27 times as on 31 March 2023 as against 1.47 times as on 31 March 2022. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.10 times as on 31st March 2023 as against 0.12 times as on 31st March 2022. Debt protection metrics of the company is marked comfortable with Interest Coverage Ratio at 2.83 times in FY2023. Debt Service Coverage Ratio (DSCR) stood at 1.38 times in FY2023.

Acuite believes that financial risk profile of the company is likely to remain in the same range in near to medium term.

Improvement in the operating profile of the company

The company has achieved turnover of Rs.208.47 Crore in FY23 against Rs.200.12 Crore in FY22 and Rs.133.97 Crore in FY21. The revenue is increasing on the back of increase capacity utilization which have been exhibited in the growth of the company. In the Kraft paper, the realization value is lower due to market dynamics, which impacted the growth of the business as the majority portion of the revenue belongs from Kraft Paper. Also, the EBITDA margins of the company stood at 4.51% in FY23 against 4.87% in FY22. The PAT margins of the company stood at 1.40% in FY23 against 1.53% in FY22. In addition, company does have power plant for captive consumption which helps the company to reduce power cost which resulted into stable margins. The company have achieved a revenue of Rs.86 Crore approximately in last six months ending September 2023. Going forward, the company is projecting the top-line under the range of Rs.230 Crore along with stable margins.

Weaknesses

Working capital Intensive Operations

The working capital operations of the company is intensive marked by GCA days which stood at 142 days as on 31st March 2023 against 154 days as on 31st March 2022. The GCA days are higher on an account of the inventory days which stood at 55 days as on 31st March 2023 against 33 days as on 31st March 2022. The debtor days of the company stood at 50 days as on 31st March 2023 against 65 days as on 31st March 2022. On the other hand, the creditor days of the company stood at 7 days as on 31st March 2023 against 18 days as on 31st March 2022.

Acuite believes that working capital operations of the company is likely to remain in the same range in near to medium term.

Competitive and fragmented nature of industry

SCFPL operates in intensively competitive industry where there is huge number of organized and unorganized players compete. The entry barriers are very low and any fluctuation in raw material price would limit the ability to pass on the price increase due to intense.

Rating Sensitivities

- Significant improvement in scale of operations while maintaining its profitability margins.
- Deterioration in the working capital cycle leading to stress on the debt protection

metrics or the liquidity position of the company.

All Covenants

None

Liquidity Position

Adequate

The liquidity position of the company is adequate. The company has generated net cash accruals of Rs.5.38 Crore as on 31st March 2023 against the debt repayment obligations of Rs.2.95 Crore during the same tenure. Going forward, the company is expected to generate sufficient net cash accruals against its debt repayment obligations in near to medium term. The Current ratio of the company stood at 2.73 times as on 31st March 2023 against 2.15 times as on 31st March 2022. The unencumbered cash and bank balance of the company stood at Rs.20.74 Crore as on 31st March 2023 against Rs.29.54 Crore as on 31st March 2022. However, the reliance on bank borrowings are high with an average bank limit utilization of the company stood at 91.66% for last six months ended September 2023.

Outlook: Stable

Acuité believes that SCFPL will maintain a 'Stable' outlook in the near to medium term on account of its established presence in dairy industry, experience of the promoters in the business and supported by strong procurement capability and distribution network. The outlook may be revised to 'Positive' if the company registers higher-than-expected growth in its scale of operations, while also improving its operating profitability and coverage indicators. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve the scalability amidst intensifying competition in the area of operation, decline in revenues or profitability margins or if the financial risk profile deteriorates due to higher-than-expected increase in debt-funded capex or working capital requirements resulting in deterioration in the overall capital structure.

Other Factors affecting Rating

Not applicable.

Key Financials

| Particulars | Unit | FY 23 (Actual) | FY 22 (Actual) |
|-------------------------------|---------|----------------|----------------|
| Operating Income | Rs. Cr. | 208.47 | 200.12 |
| PAT | Rs. Cr. | 2.92 | 3.06 |
| PAT Margin | (%) | 1.40 | 1.53 |
| Total Debt/Tangible Net Worth | Times | 1.09 | 1.08 |
| PBDIT/Interest | Times | 2.83 | 3.17 |

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

Care Ratings vide its press release dated 16th December 2022, had rated the company to CARE BB-/stable; Issuer Not Cooperating.

Brickworks vide its press release dated 19th December 2022, had rated the company to BWR BB/stable; Issuer Not Cooperating.

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 :

Not Available

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 Applicable | Bank Guarantee (BLR) | Not Applicable | Not Applicable | Not Applicable | Simple | 18.30 | ACUITE A4+ Assigned |
| Punjab National Bank | Not Applicable | Cash Credit | Not Applicable | Not Applicable | Not Applicable | Simple | 23.63 | ACUITE BB+ Stable Assigned |
| Punjab National Bank | Not Applicable | Cash Credit | Not Applicable | Not Applicable | Not Applicable | Simple | 3.21 | ACUITE BB+ Stable Assigned |
| Punjab National Bank | Not Applicable | Covid Emergency Line. | Not Applicable | Not Applicable | Not Applicable | Simple | 2.73 | ACUITE BB+ Stable Assigned |
| Punjab National Bank | Not Applicable | Covid Emergency Line. | Not Applicable | Not Applicable | Not Applicable | Simple | 3.75 | ACUITE BB+ Stable Assigned |
| Punjab National Bank | Not Applicable | Term Loan | Not available | Not available | Not available | Simple | 1.43 | ACUITE BB+ Stable Assigned |
| Punjab National Bank | Not Applicable | Term Loan | Not available | Not available | Not available | Simple | 6.13 | ACUITE BB+ 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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