



Press Release
SURYA TEJA RAW AND BOILED RICE INDUSTRIES PRIVATE LIMITED
December 21, 2023
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	35.00	ACUITE BB+ Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	35.00	-	-

Rating Rationale

Acuite has assigned its long term rating of **ACUITE BB+ (read as ACUITE double B plus)** on Rs.35 Cr. bank facilities of Surya Teja Raw And Boiled Rice Industries Private Limited (STRBRIPL). The outlook is '**Stable**'.

Rationale for rating assigned

The rating assigned takes into account the established track record and market position of the company in rice milling industry along with experience of the promoters of nearly 15 years in the rice milling industry. Further, the rating factors in the established connections with suppliers and distributors, location advantage of the factory being located at Miryalaguda a popular rice milling hub of Telangana state and stable growth in scale of operations to Rs.183.94 Cr in FY2023 from Rs.145.26 Cr in FY22 and Rs.122.71 Cr in FY2021. The rating also considers the working capital efficient operations with a GCA days of 93 days as on 31st March, 2023. However, the rating is constrained by moderate financial risk profile, thin profitability margins, debt funded capex impacting overall financial risk profile going forward and susceptibility of profitability due to competitive industry and fluctuation in raw material prices.

About the Company

Based in Telangana, Surya Teja Raw and Boiled Rice Industries Private Limited was incorporated in 2008 by Mr. Murali Mohan Jaini and Ms. Gunda Shailaja. The firm is engaged in milling and processes paddy into rice, rice bran, broken rice, and husk. The unit is located in Yadgarpally Village, Miryalguda (Mandal) and the area is predominantly paddy-growing area and paddy is available in plenty.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profile of STRBRIPL for arriving at the rating.

Key Rating Drivers

Strengths

Established market position and track record of operations

STRBRIPL is incorporated in 2008 by Mr.J.Murali Mohan and Ms. Shailaja Gunda is engaged in

rice milling activity. Company's rice mill is located at Yadgarpally Village in Miryalaguda, Telangana. Promoters of the company has more than 15 years of experience in rice milling business. Company's rice mill is located at close proximity to paddy growing area and has adequate paddy availability through out the year. Promoters of the company has long experience in paddy milling which has helped them in maintaining good relationship with farmers and distributors. Company has a milling capacity of 9.6 lakhs quintals per annum and equipped with machinery for milling both raw and boiled rice. Almost 70 percent of raw material procurement is through local market in Nalgonda district and balance procured from other districts in TS and Karnataka. Company markets its products under the brand name 'Joker rice'.

Acuite believes that company will continue to benefit from extensive experience of the promoters and established track record of operations in rice milling industry in near to medium term.

Location advantage of the factory

Company's factory is located at Miryalaguda, TS that is one of the largest rice mill hubs in India with around 170 rice mills. Factory is surrounded by paddy fields fuelled by the good irrigation facility and close proximity to procurement facilities. The area is well connected with road network for supply and procurement of finished goods and raw materials and has adequate availability of both skilled and unskilled workers.

Acuite believes that company may continue to benefit from its location advantage going forward.

Efficient working capital operations

The working capital management of the company is efficient marked by Gross current asset (GCA) days of 93 days in FY2023 as against 48 days in FY2022 and 65 days in FY2021. GCA days are dominated by inventory and debtor days, inventory days of the company stood at 46 days in FY23 as against 9 days in FY22 and 26 days in FY21. Debtor days of the company stood at 41 days in FY23 as against 27 days in FY22 and 31 days in FY21. Creditors days of the company stood at 6 days in FY23 as against 21 days in FY22 and 45 days in FY21. The efficient working capital operations have led to moderate utilisation of bank limit, average utilisation stood around at 78% over the period of seven months ending October 2023.

Acuite believes that working capital operations of the company will remain at same level going forward.

Weaknesses

Moderate financial risk profile

STRBRIPL's financial risk profile is moderate marked by moderate capital structure and coverage indicators. STRBRIPL's net-worth stood at Rs.10.50 Cr as on 31st March 2023 as against Rs. 9.80 Cr as on 31st March 2022. Improvement in net worth is attributable to accretion of profits to reserves. The total debt of Rs.14.23 Cr as on March 2023 consists of short term debt of Rs. 7.93 Cr, Unsecured loan from related parties of Rs.3.82 Cr and long term debt of Rs.2.48 Cr. The debt protection metrics stood comfortable with Interest coverage ratio stood at 3.05 times as on March 31st 2023 as against 3.48 times as on March 31st 2022. Debt service coverage ratio (DSCR) stood at 2.84 times as on March 31st 2023 as against 3.26 times as on March 31st 2022 and 3.26 times as on March 31st 2021. The net cash accrual (NCA) to total debt(TD) is 0.19 times as on March 31st 2023 as against 0.23 times as on March 31st 2022. The debt equity of the company increased to 1.36 times as on March 31st 2023 as against 0.97 times as on March 31st 2022 and 0.69 times as on March 31st 2021.

The total outside liabilities to tangible net worth stood at 4.23 times as on March 31st 2023 as against 1.70 times as on March 31st 2022. Company is planning for capacity expansion of its storage capacity by another two lakhs quintals with total outlay of Rs.11.41 Cr which is expected to be partly funded by bank loan of Rs.8.3 and balance through internal accruals. Acuite believes that company's financial risk may continue to remain moderate due to debt funded capex going forward.

Thin profitability margins

Company's profitability remained slightly fluctuated during previous three years, operating margins stood at 2.42 percent in FY2023 as against 2.31 percent in FY2022 and 2.73 percent in FY21. Fluctuation in margins is attributable to fluctuation in raw material prices. Margins of the company will continue to remain susceptible to fluctuation in raw material prices. Company is substantially dependent on paddy procurement from local markets; therefore, any supply side issues could materially impact the operations and profitability of the company.

Susceptibility of profitability to competitive industry and fluctuations in raw material prices

The company operates in a highly competitive and fragmented industry and faces tough competition from various established brands in the rice milling industry as well as several unorganized players, which can have an impact on the bargaining powers with the customers and hence on the margins. Profitability margins are also susceptible to raw material price fluctuation and on the proportion of trading and processing activities of the company.

Rating Sensitivities

- Sustainability in their growth in scale of operations and increase in operating margins
- Elongation in working capital cycle leading to stretch in liquidity
- Deterioration in the capital structure

All Covenants

None

Liquidity Position: Adequate

Liquidity profile of the company is adequate marked by net cash accruals of Rs.2.71Cr in FY2023 from Rs.2.21 Cr in FY2022. The cash accruals are expected to be in range of Rs.2.42 Cr to Rs. 2.75 Cr against its repayment obligation of Rs.0.54 Cr to Rs.1.4 Cr during the same tenure. Company's current ratio stood at 1.20 times as on March FY2023. Company's GCA days are ranging around 48 to 93 days making it moderately dependent on bank borrowings for its working capital requirements. Company has been moderately utilizing its working capital limits with average utilisation at around 78 percent during the past 7 months ending October 2023.

Acuité believes that the liquidity of the group is likely to remain adequate over the medium term on account of adequate cash accrual.

Outlook: Stable

Acuité believes that STRBRIPL will maintain a 'Stable' outlook and continue to benefit over the medium term owing to its promoter's extensive industry experience, location advantage, and strong dealership network. The outlook may be revised to 'Positive' in case of sustained improvement in the scale of operations and profitability while maintaining comfortable financial risk profile and liquidity position. Conversely, the outlook may be revised to 'Negative' in case of a steep decline in revenue and profitability or if the financial risk profile weakens, because of stretch in the working capital cycle or higher than expected debt funded capital expenditure.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	183.94	145.26
PAT	Rs. Cr.	0.70	0.50
PAT Margin	(%)	0.38	0.35
Total Debt/Tangible Net Worth	Times	1.36	0.97
PBDIT/Interest	Times	3.05	3.48

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>
- Entities In Manufacturing Sector:- <https://www.acuite.in/view-rating-criteria-59.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.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 Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	18.00	ACUITE BB+ Stable Assigned
Not Applicable	Not Applicable	Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	7.00	ACUITE BB+ Stable Assigned
Not Applicable	Not Applicable	Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	8.00	ACUITE BB+ Stable Assigned
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	2.00	ACUITE BB+ Stable Assigned

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in
Gnanreddy Rakesh Reddy Senior Analyst-Rating Operations Tel: 022-49294065 rakesh.reddy@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.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité. Please visit <https://www.acuite.in/faqs.htm> to refer FAQs on Credit Rating.