



Press Release

Santlal Industries Limited (SIL)

March 05, 2021

Ratings:

Instrument / Facility	Amount (INR Crore)	Ratings	Rating Action
Long Term Fund based facilities – Cash Credit	30.00	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	Assigned
Short Term Fund based facilities – Warehouse Receipt Financing	70.00	IVR A3 (IVR Single A Three)	Assigned
Total	100.00		

Details of Facilities are in Annexure 1

Detailed Rationale:

The aforesaid ratings assigned to the bank facilities of Santlal Industries Limited (SIL) derives strength from experienced management and long track record of operations, proximity to paddy growing areas and optimum storage facility, favourable demand prospects for rice and comfortable debt protection parameters. The rating however is constrained by exposure to agro-climatic risk, fragmented nature of the industry leading to thin profit margins, susceptibility to changes in government regulations and risk related to economic conditions of the export countries.

Key Rating Sensitivities:

Upward Factors

- Substantial & sustained improvement in the Company's revenue and profitability leading to sustained improvement in debt protection metrics.

Downward Factors

- Any decline in scale of operations, profitability and/or liquidity profile of the company.

Key Rating Drivers with detailed description

Key Rating Strengths:

Experienced management and long track record of operations:

SIL is promoted by Mr. Anil Agarwal, Mr. Sunil Agarwal, Mr. Pranjal Agarwal and Ms. Anju Agarwal who having ample industry experience of over 2 decades each in the agro commodities business acquired via their association with group companies. Furthermore, the



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company has an established track record of operations of over two decades. The experience of the promoters coupled with the established track record of operations has benefitted the company evident by the healthy scale of operations. Promoters are supported by a team of experienced and qualified professionals also.

Proximity to paddy growing areas and optimum storage facility:

The primary raw material, paddy, is available in abundant quantity in Uttar Pradesh throughout the year. The presence in paddy growing area gives a competitive advantage in terms of easy availability of paddy, lower freight, and favourable pricing terms. Company is having a warehouses capacity of around 44,000 MT and a fleet of trucks for transportation.

Favourable demand prospects for rice:

The prospects of the industry are expected to remain good given that rice is the staple food for majority Indians and India is the world's second largest consumer of rice.

Comfortable debt protection parameters:

The financial risk profile of the company is healthy marked by comfortable net worth, debt protection metrics and debt coverage indicators. The company do not have any long-term loans. The net worth of Company stood at INR78.81 Crore (includes quasi equity of INR21.54 Crore) as on 31 March, 2020 as against INR57.92 Crore (includes INR12.79 Crore of quasi equity) as on 31 March, 2019. The overall gearing (debt-equity) stood at 0.80 times as on 31 March, 2020. The Coverage Ratio stood healthy with Interest coverage ratio at 5.80x in FY 2020. Total Debt / GCA ratio was at 4.10 times in FY2020. Adjusted TOL/TNW stood at 1.10 times as on 31 March 2020.

Moderate Scale of operation:

Company revenue grew at a CAGR of 6.15% in the last four years ended FY20 and was at INR231.05 Crore in FY 20 The revenue declined by ~24 percent in FY2020 over the previous year, due to geo-political situation and COVID-19 related disruptions in the importing countries.

During 9MFY21, the company has achieved revenue of INR224.44 Crore as compared to INR212.50 Crore in 9M FY20. Revenue is expected to rebound at FY19 level in the current financial year due to increased demand and improved realisations.

Key Rating Weaknesses:



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Exposure to agro-climatic risk:

Cultivation of paddy, the primary raw material, depends on monsoon and availability of irrigation. Hence, SIL is susceptible to any shortage or price fluctuation during unfavourable climatic conditions.

Fragmented nature of the industry leading to thin profit margins:

The rice-milling industry is characterised by intense competition due to limited value addition, and consequent low entry barriers, limiting the pricing flexibility of players like SIL.

Susceptibility to changes in government regulations:

Minimum support price of paddy and prevailing rice price are key determinants of a rice mill's profitability. Being an agricultural product, availability of paddy is seasonal and dependent on monsoon/irrigation. This exposes the company to risk of limited availability of raw material in case of unfavourable climatic conditions, leading to fluctuations in paddy and rice prices. This is compounded by limited ability to completely pass on any price hike to customers. Also, the rice industry is regulated in terms of paddy price, export/import of rice, and rice-release mechanism.

Risk related to economic conditions of the export countries:

The company is engaged in the milling, processing milling and indirect exporting of basmati rice to Middle Eastern countries like Iran, Iraq and Oman. This exposes the company to the risks related to economic conditions of the exporting countries. Any slowdown in the economic conditions of these countries may adversely impact the orders inflow of the company.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity – Adequate

The company has an adequate liquidity profile with absence of any long-term repayment obligations and major capex plans. Further, the company had cash accruals of around INR15.34 Crore and the average cash credit utilisation was around 39.44% during the last twelve months ended December 2020. The current ratio for FY20 is 1.62 times.



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About the Company:

Uttar Pradesh-based SIL was incorporated in 1999 by Mr. Anil Agarwal and Mr. Sunil Agarwal. The company is engaged in the processing, milling and indirect exporting of basmati rice to Middle Eastern countries like Iran, Iraq and Oman to name a few. Since last 2-3 years company has started to focus on the domestic market and slowly trying to capture the market with its brand “Mayur”. The milling and processing units of the company are in Mainpuri (U.P.) with the installed capacity of around 62,400 MTPA. Further, SIL has two grain-based power plants with the installed capacity of 2.50 MW each.

Financials: Standalone

(INR Crore)

For the year ended/ As On	31-03-2019 (Audited)	31-03-2020 (Audited)
Total Operating Income	302.55	231.05
EBITDA	24.06	20.98
PAT	14.45	12.13
Total Debt	0.70	62.95
Tangible Net-worth	57.92	78.81
Ratios		
EBITDA Margin (%)	7.95	9.08
PAT Margin (%)	4.77	5.20
Overall Gearing Ratio (x)	0.01	0.80

Status of non-cooperation with previous CRA:

CRISIL in their press release dated 26th March 2020 has classified the case under Issuer Not Co-operating status on account of non-submission of relevant information.

CARE Ratings vide their press release dated 30th October 2020 has classified the case under Issuer Not Co-operating status on account of non-submission of relevant information.

ICRA in their press release dated 27th February 2020 has classified the case under Issuer Not Co-operating.

Any other information: NA

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (INR Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Long Term	Long	30.00	IVR	--	--	--



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	Fund based facilities – Cash Credit	Term		BBB- /Stable			
2.	Short Term Fund based facilities – Warehouse Receipt Financing	Short Term	70.00	IVR A3	--	--	--

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities:

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
Long Term Fund based facilities – Cash Credit	--	--	--	30.00	IVR BBB-/Stable
Short Term Fund based facilities – Warehouse Receipt Financing	--	--	--	70.00	IVR A3