Press Release

SPG Global Commodities Limited

March 28, 2024

Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	55.00 (includes proposed facility of Rs 22.50 crore)	IVR BBB-/ Stable (IVR triple B minus with Stable Outlook)	Assigned	Simple
Total	**55.00 (Rs. Fifty-five crore only)**			

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of SPG Global Commodities Limited (SPGGCL) derives strength from experienced promoters with established track record of operations, diversified product portfolio, reputed client base which largely reduces counterparty risk, comfortable capital structure with adequate debt protection metrics and consistent improvement in profitability. However, these rating strengths are partially offset by moderation in scale of operations during FY23 albeit improvement seen in 10MFY24, thin profitability margin given trading nature of business, exposure to price fluctuations and agro climatic risks and presence in a highly fragmented and competitive agro-commodity trading industry.

Key Rating Sensitivities:

Upward Rating Factors

- Significant growth in scale of operation with improvement in profitability metrics thereby leading to improved cash accruals and liquidity.
- Improvement in the capital structure with further improvement in debt protection metrics.

Downward Rating Factors

- Dip in operating income and/or profitability thereby impacting the debt coverage indicators and/or any deterioration in the financial risk profile.
- Any significant rise in working capital intensity or unplanned capex leading to a deterioration in the liquidity position.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

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

The promoters are engaged in the same line of business for over 20 years and were operating similar business under a private limited company, named Virendra Enterprises Private Limited Due to established track record of operations, the promoters are well versed with the industry dynamics, crop pattern and demand-supply outlook. Over the years, the promoters have also established longstanding business relationship with its customers and suppliers, which enables the company to get repeated orders. Furthermore, the promoters are also supported by experienced and qualified management team for day-to-day operations.

- **Diversified product portfolio**

SPGGCL is engaged in the retail and wholesale of agri-commodities consisting of edible oils, staples such as rice, wheat and flour products, sugar, pulses, edible nuts & spices i.e. Cashew, Almonds, Walnuts, Raisins, Pistachio etc. The company has a diversified agri-commodities ranging from edible oils, staples such as rice, wheat and flour products, sugar, pulses, edible nuts & spices. The company maintains a flexible product portfolio, with no fixed mix. It operates within agro-commodity markets where demand and pricing are favourable.

- **Reputed client base which largely reduces counterparty risk**

The company has reputed client base as it deals various reputed private parties like Vmart, Reliance Retail Limited, Patanjali Foods Limited, Metro Cash & Carry Limited. Further, the company's has also supplied to government clients like IRCTC. The reputed client base helps the company in largely reducing counterparty risk.

- **Comfortable capital structure with adequate debt protection metrics**

The tangible net worth of SPGGCL as on March 31,2023 stood at Rs 42.47 crore, in comparison to Rs 25.75 as on March 31, 2022. The increase was driven by equity infusion by the promoters of Rs 12.89 crore for working capital requirements. Furthermore, profits earned during FY23 also added to increase in net worth as on March 31, 2023. Total debt of the company as on March 31, 2023 also improved to Rs 25.45 crore from Rs 26.12 crore as on March 31,2022 due to repayment of existing term loans. Driven by increase in net worth and decline in debt levels overall gearing and TOL/TNW ratios witnessed improvement to 0.60x (FY22:1.01x and FY21:0.81x) and 1.36x (FY22: 6.37x and FY21:1.47x) respectively as on March 31, 2023. Other coverage indicators like DSCR and interest coverage ratio, although deteriorated due to increase in interest costs, but stood comfortable at 3.53x (FY22: 7.48x and FY21: 6.33x) and 2.36x (FY22: 3.94x and FY21: 2.09x) respectively.

- **Consistent improvement in profitability**

During FY21, driven by substantial decline in topline due to Covid 19 disruptions, EBITDA and PAT at absolute levels stood only at Rs 2.00 crore and Rs 1.50 crore respectively. As the operations normalized, in FY22, EBITDA and PAT grew by ~253% and ~206% respectively and stood at Rs 7.06 crore and Rs 4.60 crore. Further in FY23, although due to decline in sales, EBITDA at absolute levels grew by ~28% to Rs 9.04 crore. However, due to availing of working capital limits during FY23, interest expenses increased, resulting in decline in absolute PAT by ~16% to Rs 3.85 crore. During 10MFY24, EBITDA and PAT at absolute levels stood at Rs 16.31 crore and Rs 9.37 crore, higher than the levels of FY23. Infomerics notes that a sustained increase in profit will be a key rating driver going forward.

Key Rating Weaknesses

- **Moderation in scale of operations during FY23, albeit improvement seen in 10MFY24**

During FY21, the operations of the company was significantly disrupted due to lockdown imposed on account of Covid-19 pandemic. During the period, SPGGCL could achieve the topline of only Rs 50.67 crore. Post easing of Covid restrictions, the operations were normalised, and the company made a topline of Rs 393.29 crore in FY22. However, topline made a sharp decline by ~26% by Rs 291.10 crore during FY22. Due to termination of business relationship with some of the major customers on account of delay in payments topline witnessed a decline. However, in 10MFY24, the company added new B2B customers, like Royal Enterprises, Patanjali Foods, Reliance Retail and V-Mart. Furthermore, the demand for pulses and legumes were high and the company was able to capitalize on the same, which added to the increase in topline in 10MFY24.

- **Thin profitability margin given trading nature of business**

The profitability margin of the company remains thin due to trading nature of the business. The profit margins are susceptible to raw material prices and the industry is also characterized by high competitiveness thus impacting margins. However, EBDITA margin witnessed improvement to 3.10% in FY23 from 1.80% in FY22.

- **Exposure to price fluctuations and agro climatic risks**

Being involved in agro-commodity trading, any changes in the minimum support prices may affect the product's competitiveness. The company also remains exposed to agroclimatic risks, changing crop patterns and the associated cyclicality in the business. The company's product mix, thus, must continually adapt to the changing crop patterns.

- **Presence in a highly fragmented and competitive agro-commodity trading industry**

The agro-commodity trading business is highly fragmented and characterized by the presence of many organized and unorganized players, which leads to intense competition. The industry also faces constraints with high cost of raw materials, low value addition along with low product differentiation, thus leading to low pricing power.

Analytical Approach: Standalone

Applicable Criteria:

Policy on Default Recognition

Criteria of assigning Rating outlook

Rating Methodology for Trading Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity – Adequate

The liquidity of the company is expected to remain adequate in the near to medium term with sufficient accruals and to meet the term debt repayment in the period FY24-FY26. Furthermore, the average fund-based utilisation for the past twelve months ended February,2024 remained high at ~75% indicating a high liquidity cushion.

About the company

SPG Global Commodities Limited (SPGGCL), is promoted by the Gupta family based out of Noida, Uttar Pradesh. It was incorporated in the year 2004; however, commenced its operations from 2020 after taking over, Virendra Enterprises Private Limited. When the operations started in SPGGCL, the company started selling products under its own brand name. SPGGCL is primarily engaged in the trading and processing of agri-commodities ranging from edible oils, staples such as rice, wheat and flour products, sugar, pulses, edible nuts & spices. The company does not have inhouse manufacturing facility, rather does contract manufacturing and for this it has tied up with multiple OEM partners for packaging and processing of the Agro-commodities. The prominent brands for the company includes SPG Swaad, Shree Veda, YumG, Bakers Barn and Sultan.

Financials (Standalone):

(Rs. crore)

For the year ended* / As On	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	393.29	291.10
EBITDA	7.06	9.04
PAT	4.60	3.85
Total Debt	26.12	25.45
Tangible Net worth	25.75	42.47
EBITDA Margin (%)	1.80	3.10
PAT Margin (%)	1.17	1.32
Overall Gearing Ratio (x)	1.01	0.60

**As per Infomerics' Standards*

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Nil

Rating History for last three years with Infomerics:

Sr. No.	Name of Instrument/ Facilities	Current Rating (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Cash Credit^	Long Term	55.00	IVR BBB-/ Stable	-	-	-

^including proposed limit of Rs. 22.50 crore

Name and Contact Details of the Rating Analyst:

Name: Mr. Sandeep Khaitan Tel: (033) 46022266 Email: sandeep.khaitan@infomerics.com

About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics -commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit www.infomerics.com.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit 1	-	-	-	10.00	IVR BBB-/ Stable
Cash Credit 2	-	-	-	10.00	IVR BBB-/ Stable
Cash Credit 3	-	-	-	12.50	IVR BBB-/ Stable
Proposed Cash Credit	-	-	-	22.50	IVR BBB-/ Stable

Annexure 2: List of companies considered for consolidated analysis: Not applicable.

Annexure 3: Facility wise lender details:
https://www.infomerics.com/admin/prfiles/len-SPGGlobal-mar24.pdf

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

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