Sai Hanumant Industries Private Limited

September 13, 2023

Ratings

Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	107.05 (increased from Rs.64.00 crore)	IVR BBB-/ Stable (IVR Triple B minus with Stable outlook)	Reaffirmed	Simple
Short Term Bank Facility	-	-	Withdrawn	Simple
Total	**107.05 (Rupees one hundred seven crore five lakhs only)**			

Details of Facilities are in Annexure 1

Detailed Rationale

The reaffirmation of the rating assigned to the bank facilities of Sai Hanumant Industries Private Limited derives strength from its track record of operations under experienced promoter, location advantage with proximity to key rice growing belt of the country. The rating also favourably factor in the steady growth in scale of operations. However, these rating strengths are constrained due to intense competition in the rice industry, vulnerability to agro-climatic risks and changes in the Government regulations, thin profitability and leveraged capital structure with comfortable debt service coverage indicators.

Key Rating Sensitivities:

Upward Factors

- Growth in revenue and profitability leading to increase in gross cash accruals on a sustained basis
- Improvement of the capital structure and sustained improvement in debt protection metrics.
- Effective working capital management with improvement in operating cycle and liquidity

Downward Factors

- Decline in the operating income or profitability impacting the cash accrual and debt coverage indicators
- Moderation in the capital structure with deterioration in overall gearing to over 3.50x
- Stretch in working capital cycle leading to deterioration in liquidity position

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Extensive experience of the promoter in the rice milling industry**

  The promoter Mr. Sunil Dhamejani has an extensive experience of about 10 years in the rice milling industry, thereby fostering strong relationships with customer and suppliers.

- **Location advantage with proximity to key rice growing belt of the country**

  SHI's paddy processing units are located in Chhattisgarh which counts amongst the key rice growing regions of the country entailing location advantage with respect to the key raw material availability and logistics. Further, most of the customers of the entity also remain in the vicinity of the processing units.

- **Steady growth in scale of operations**

  Total Operating Income of the company increased to Rs. 1036.94 crore in FY23(prov.) from 953.46 crore in FY22 with y-o-y growth of 8.75% due to rise in demand for rice from offshore and domestically led by increase in price of wheat for which rice is the substitute.

Key Rating Weaknesses

- **Intense competition in the rice industry**

  The fragmented nature of the rice industry results in stiff competition, which limits the pricing flexibility of the industry participants. This keeps the profitability at modest levels.

- **Vulnerability to agro-climatic risks and changes in the Government regulations**

The Paddy being an agricultural commodity, its production remains susceptible to agroclimatic risks. Thus, any climatic variations impacting supply is likely to have a bearing on its pricing. Government intervention through changes in minimum support price and export regulations may also exhibit an impact on the paddy price movement, ability to pass on the same to the customers remains critical as far as the profitability of rice millers like SHI is concerned. Rice milling being a fragmented industry remains marked by presence of mainly unorganised players. Further, commoditised nature and low differentiation of the product dealt also limits the bargaining power of the rice millers.

- **Thin profitability**

  The profit margin of the entity remained thin over the years due to low value additive nature of rice milling business with less product differentiation and high competition in the operating spectrum. Further, the sales realisation also remains fluctuating based on demand supply situation. The profitability of the company has improved with the rise in topline and better realisation vis-à-vis raw material cost in FY23 as compared to FY22. Absolute EBIDTA increased to Rs.24.52 crore in FY23 from Rs.11.21 crore in FY22. EBIDTA margin improved to 2.37% in FY23 from 1.18% in FY22. PAT margin also improved to 1.06% in FY23 from 0.49% in FY22.

- **Leveraged capital structure with comfortable debt service coverage indicators**

  The capital structure of the company had remained leveraged over the past three fiscal years with its satisfactory net worth base of Rs.36.13 crore supported by accretion of profits as on March 31, 2023. The Overall gearing stood moderate and improved to 3.18x as on March 31, 2023(Prov.) from 4.62x as on March 31, 2022. Long term debt to equity has also improved and stood at 0.46x as on March 31, 2023(Prov.) from 1.22x as on March 31, 2022. Overall indebtedness of the company marked by TOL/TNW has improved and stood at 3.89x as on March 31, 2023, against 5.17x as on March 31, 2022, due to accretion of profit to the networth. Debt protection metrics remained comfortable with improvement in interest coverage to 2.91x in FY23 from 2.21x in FY22. Total Debt by GCA improved to 1.31x as on March 31,2023 from 3.41x as on March 31,2022. DSCR remained comfortable at 2.00x in FY23 and improved from 1.64x in FY22.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Criteria of assigning rating outlook

Liquidity – Adequate

The liquidity position of the company is expected to remain adequate marked by it expected adequate gross cash accruals as again its debt service obligations during the projected period FY24-26. The company will repayment of Rs.2.50 crores, Rs.3.50 crore and Rs.0.82 crore respectively against gross cash accruals of Rs.13.33 crore, Rs.17.74 crore and 22.71 crore respectively in FY24, FY25 and FY26. Further, the company does not have any major capacity expansion plans in the medium term which imparts comfort. However, the fund based limit utilisation remains 66.16% during the last 12 months ended June 2023, indicating marginal liquidity buffer.

About the Company

Sai Hanumant Industries Private Limited (SHIPL) erstwhile Sai Hanumant Industries (proprietorship) established in 2005 in Raipur, Chhattisgarh by Mr. Sunil Dhamejani. The proprietorship firm was converted into Private Limited in April 22. The company is primarily engaged in milling of paddy and rice processing. SHIPL has installed capacity of 26 MT Per hour of Paddy to Rice processing and 26 MT of Rice-to-Rice Processing for usna rice with total installed capacity of 52MT Per Hour. The company markets its products in both domestic and international markets.

Financials: Standalone **(Rs. crore)**

For the year ended* / As On	31-03-2022	31-03-2023
	Audited	Provisional
Total Operating Income	953.46	1036.94
EBITDA	11.21	24.52
PAT	4.72	10.97
Total Debt	81.32	114.90

For the year ended* / As On	31-03-2022	31-03-2023
Tangible Net worth	17.61	36.13
EBITDA Margin (%)	1.18	2.37
PAT Margin (%)	0.49	1.06
Overall Gearing Ratio (x)	4.62	3.18

**Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: Nil

Any other information: NA

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2023-24)			Rating History for the past 3 years				
		Type	Amount outstanding (Rs. Crore)	Ratings	Date(s) & Rating(s) assigned in 2022-23 (September 07, 2022)	Date(s) & Rating(s) assigned in 2021-22			Date(s) & Rating(s) assigned in 2020-21
						January 11, 2022	August 12, 2021	August 02, 2021	
1.	Term Loan	Long Term	3.83	IVR BBB-/ Stable	IVR BBB-/ Stable	IVR BBB-/ Stable	IVR BBB- Rating watch with Developing Implications	-	
2.	WCTL GECL	Long Term	3.22	IVR BBB-/ Stable	IVR BBB-/ Stable	IVR BBB-/ Stable	-	-	
3.	WCDL Cess 2020	Long Term	-	Withdrawn	IVR BBB-/ Stable	IVR BBB-/ Stable	IVR BBB- Rating watch with Developing Implications	-	

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<tr><th rowspan="3">Sr. No.</th><th rowspan="3">Name of Instrument/Facilities</th><th colspan="3">Current Rating (Year 2023-24)</th><th colspan="5">Rating History for the past 3 years</th></tr>
<tr><th rowspan="2">Type</th><th rowspan="2">Amount outstanding (Rs. Crore)</th><th rowspan="2">Ratings</th><th rowspan="2">Date(s) & Rating(s) assigned in 2022-23 (September 07, 2022)</th><th colspan="3">Date(s) & Rating(s) assigned in 2021-22</th><th rowspan="2">Date(s) & Rating(s) assigned in 2020-21</th></tr>
<tr><th>January 11, 2022</th><th>August 12, 2021</th><th>August 02, 2021</th></tr>
<tr><td>4.</td><td>Cash Credit</td><td>Long Term</td><td>100.00*</td><td>IVR BBB-/ Stable</td><td>IVR BBB-/ Stable</td><td>IVR BBB-/ Stable</td><td>IVR BBB- Rating watch with Developing Implications</td><td>IVR BBB- Rating watch with Developing Implications</td><td></td></tr>
<tr><td>5.</td><td>Proposed Cash Credit</td><td>Long Term</td><td>-</td><td>-</td><td>IVR BBB-/ Stable</td><td>-</td><td>-</td><td>-</td><td></td></tr>
<tr><td>6.</td><td>Packing Credit</td><td>Short Term</td><td>-</td><td>Withdrawn</td><td>IVR A3</td><td>IVR A3</td><td>IVR A3 Rating watch with Developing Implications</td><td>IVR A3 Rating watch with Developing Implications</td><td></td></tr>
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**PCFC of Rs. 50 crore is a submit of cash credit limit*

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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.

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

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan 1	-	-	FY24	1.92	IVR BBB-/ Stable
Term Loan 2	-	-	FY27	1.91	IVR BBB-/ Stable
WCTL GECL	-	-	FY26	1.68	IVR BBB-/ Stable
WCTL GECL Extension	-	-	FY24	1.54	IVR BBB-/ Stable
Cash Credit 1	-	-	-	50.00*	IVR BBB-/ Stable

Cash Credit 2	-	-	-	50.00	IVR BBB-/ Stable

* *PCFC of Rs. 50 crore is a submit of cash credit limit*

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

Annexure 3: Facility wise lender details
https://www.infomerics.com/admin/prfiles/len-SHIPL-sep23.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.