



Press Release

Salasar Balaji Overseas Private Limited (SBOPL)

August 12, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	125.00	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	Reaffirmed	Simple
Total	Rs. One Hundred and Twenty-Five Crore only (In words)				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics Ratings has reaffirmed its rating assigned to the bank facilities of Salasar Balaji Overseas Private Limited. The reaffirmation of the ratings takes into account the improvement in company's financial performance in FY23 (refers to period from April 1, 2022, to March 31, 2023) and FY24 (Provisional) (refers to period from April 1, 2023 to March 31, 2024). The ratings continue to factor in the extensive experience of the promoters in the edible oil business, established relationship with customers, moderate financial risk profile and integrated nature of business. However, these ratings strengths are partially offset by the company's working capital intensive operations, intense competition from organised and unorganised players and price volatility susceptible to regulatory changes and global phenomenon.

The outlook is stable in view of extensive experience of the management and sustained improvement in company's financial performance.

Key Rating Sensitivities:

Upward Factors

- Significant increase in revenue, profits and cash accruals on a sustained basis
- Significant improvement in debt coverage indicators on sustained basis

Downward Factors

- Any substantial decline in scale of operation and/or profitability leading to deterioration of debt protection metrics.



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- Witnesses a substantial increase in its working capital requirements thus weakening its liquidity & financial profile.
- Any debt funded capex impacting financial profile

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Long standing presence in the edible oil industry**

The company is a part of B.N. Group. The group is closely held by 2nd generation of promoters in the family organization. Presence of more than a decade in the edible oil industry has enabled the promoters to diversify business across Uttar Pradesh, Uttarakhand, Gujarat and other parts in Northern and Eastern India. The promoters of the company also have long standing presence in varied industries has helped them in building established relationships with both customers and suppliers. Revenue is likely to grow at a steady pace, aided by the extensive experience of the promoters and diversified distribution network. Product range is wide and includes majorly Kachchi Ghani Mustard Oil and other refined oils. Products are sold under Healthy Value and Railgadi brands.

- **Improvement in business performance**

The total operating income of the company has grown significantly since commencement of its operations in FY21. Further on year-on-year basis the total operating income in FY23 has improved by ~230% and stood at Rs. 487.57 crore vis-à-vis Rs. 147.96 crore in FY22 as a result of increase in volume sales and addition of customer base. It has further increased by over 72% in FY24 (Prov.) to stand at Rs. 840.28 crore. The EBITDA margin of the company has improved in past two years i.e., from 1.09% in FY22 to 2.53% in FY23 and 3.20% in FY24 (Prov.). as a result of increased sales volumes and while cost realizations witnessed a marginal decline during FY23 and FY24. The absolute PAT improved from Rs. 0.88 crore in FY22 to Rs. 6.25 crore in FY23 and further increased to Rs. 10.11 crore as a result of improved turnover and operating profit. Consequently, the PAT margin of the company has improved from 0.60% in FY22 to 1.20% in FY23 and 1.28% in FY24 (Prov.). Further,



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the gross cash accruals of the company remain comfortable at Rs. 10.60 crore in FY24 (Prov.).

- **Moderate capital structure and debt protection metrics**

The capital structure of the company remained comfortable marked by overall gearing ratio that stood moderate at 2.10x at the end of FY23 as compared to 1.72x at the end of FY22. Long-term debt equity ratio improved to 0.15x as on March 31, 2023 from that of 0.23x as on March 31, 2022. It further improved to 0.13x at end of FY24 (Prov.). The Tangible Net worth stood at Rs. 17.09 crore as on March 31, 2023, improving marginally from that of Rs. 15.41 crore as on March 31, 2022. Further, Total indebtedness of the company also remained moderate marked by TOL/TNW at 2.51x in FY23 as against 2.76x in FY22. It remained largely stable at 2.48x in F24 (Prov.). The debt protection metrics of the company as indicated by interest coverage ratio remain comfortable at 3.49x in FY23. It declined and stood at 2.13x in FY24. Total debt to GCA also remained comfortable at 19.49 years as on March 31, 2023 and 11.92 years as on March 31, 2024 (Prov.).

Key Rating Weaknesses

- **Vulnerability to volatility in raw material prices**

Operations are exposed to inherent risks associated with the agriculture-based commodity business, such as availability of raw material, fluctuations in prices or dependency on climatic conditions. Further, the company deals in edible oils, the prices of which are regulated by the government on a continuous basis. The products come under the Essential Commodities Act, where stocking and price levels are tightly controlled. The company's profitability is also vulnerable to the regulatory changes with respect to imported raw materials.

- **Intense competition in the industry result in thin operating margin**

The edible oil industry in India is characterized by intense competition and fragmentation, with the presence of a large number of edible oil refineries and low entry barriers. As a result of high competition and fragmentation, profit margins in the edible oil business tend to remain thin. Sharp fluctuation in price of the main raw material,



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oilseeds, could also adversely impact the operating margins. Oil seeds procurement cost is also dependent on the monsoons as scarcity of monsoons could be the main reason of the sudden increase in the price.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies.](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\).](#)

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)

Liquidity – Adequate

In view of improvement in the scale of operations and operating profitability, the company's cash flow from operations is estimated to remain healthy in projected tenure. The overall working capital utilization stood at a moderate level of around 74% during the last twelve months ended June 2024, leaving modest room for future working capital requirement of the company. The current ratio as of March 31, 2023 stood adequate at 1.47x. Given no major capital expenditure plan compared to its current balance sheet size, and the likely sizeable cash accruals from business, the overall liquidity position of the company shall remain adequate, going forward.

About the Company

Salasar Balaji Overseas Private Limited (SBOPL) was incorporated in the year 2020, part of an established organization "BN GROUP". It has registered office located at Meerut, Uttar Pradesh. The Company is engaged in manufacturing of indigenous vegetable cooking oils. It has its manufacturing unit with capacity of 200 TPD located at Village Aganpura, Mathura – Agra, Uttar Pradesh. The group is closely held by 2nd generation promoters in the family organization. The company has a strong presence in FMCG Sector with both Wholesale and Retail Sales with its brands "Healthy Value " and "Railgadi", in Orrisa, Chhattisgarh and other parts in UP and Eastern India.



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Financials (Standalone):

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Provisional
Total Operating Income	487.57	840.28
EBITDA	12.32	26.90
PAT	6.25	10.11
Total Debt	129.41	126.40
Tangible Net Worth	61.72	71.82
EBITDA Margin (%)	2.53	3.20
PAT Margin (%)	1.28	1.20
Overall Gearing Ratio (x)	2.10	1.76
Interest Coverage (x)	3.49	2.13

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (2024-25)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					Date (June 29, 2023)	Date (Month XX, 2022)	Date (Month XX, 20XX)
1.	Cash Credit	Long Term	125.00	IVR BBB- / Stable	IVR BBB- / Stable	-	-

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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.

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 and definition of ratings please visit www.infomerics.com.

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Annexure 1: Instrument/Facility Details

Name of Facility	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	-	125.00	IVR BBB-/ Stable

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-Salasar-Balaji-aug24.pdf>



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Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Name of the Security		Detailed Explanation
	Financial Covenant	
	i.	
	ii.	
	Non-financial Covenant	
	i.	
	ii.	

Annexure 4: List of companies considered for consolidated/Combined analysis: 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.