



## Press Release

### Salasar Balaji Overseas Private Limited

June 29, 2023

#### Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	<a href="#">Complexity Indicator</a> (Simple/ Complex/ Highly complex)
Long Term Bank Facilities	125.00	IVR BBB-/ Stable Outlook (IVR Triple B Minus with Stable Outlook)	Assigned	Simple
<b>Total</b>	<b>125.00</b> <b>(Rupees One hundred and Twenty-five crores only)</b>			

Details of Facilities are in Annexure 1

#### Detailed Rationale

The rating assigned to the bank facilities of Salasar Balaji Overseas Private Limited derive strengths from long standing presence in the edible oil industry, improvement in business performance and comfortable capital structure and debt protection metrics. However, the rating is constrained due to vulnerability to volatility in raw material prices, intense competition in the industry result in thin operating margin and project implementation risk.

#### Key Rating Sensitivities:

##### Upward Factors

- Significant increase in revenue, profits and cash accruals on a sustained basis.
- Timely completion of capex without any time or cost overrun.

##### Downward Factors

- Any substantial decline in scale of operation and/or profitability leading to deterioration of debt protection metrics.
- Witnesses a substantial increase in its working capital requirements thus weakening its liquidity & financial profile.



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### 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 and managed by 2<sup>nd</sup> 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 a 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 the brands namely; Healthy Value and Railgadi.

##### 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 Prov. has improved by ~230% and stood at Rs. 487.57 crore {vis-à-vis Rs. 147.96 crore in FY22 (A)} as a result of increase in volume sales and addition of customer base. The EBITDA margin of the company has improved in past two years i.e., from 1.09% in FY22 to 3.64% in FY23 Prov. as a result of increased volumes and better cost realizations. The absolute PAT improved from Rs. 0.84 Cr. in previous year to Rs. 10.26 Cr in FY23 Prov. as a result of improved turnover and operating profit. Consequently, the PAT margin of the company has improved from 0.57% in FY22 to 2.10% in FY23 Prov. Further, the gross cash accruals of the company remain comfortable at Rs. 10.79 Cr.

#### Comfortable capital structure and debt protection metrics



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The capital structure of the company remained comfortable, marked by overall gearing ratio that stood comfortable at 0.92x in FY23 Prov. as compared to 1.72x in FY22. Long-term debt equity ratio improved to 0.01x in FY23 Prov. from that of 0.23x in FY22. During the current year, the company issued shares amounting to Rs. 5.64 Cr. in FY23 resulting in improvement of the networth. The premium credited on share issue also improved the R&S of the company. Thus, the Tangible Net worth stood at Rs. 65.71 Cr. improving from that of Rs. 11.44 Cr. Further, total indebtedness of the company also remained comfortable marked by TOL/TNW at 1.02x in FY23 Prov. as against 2.76x in FY22. The debt protection metrics of the company as indicated by interest coverage ratio remain comfortable at 5.05x in FY23 Prov. vis-a-vis 3.47x in FY22. Total debt to GCA also remained comfortable at 5.58 years as on March 31, 2023. The DSCR of the company has remained comfortable since commencement of operations; at 4.03x in FY23 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 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, 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.

#### **Project implementation risk**



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The company was incorporated in 2020 and is currently undertaking a capex for setting up of a state of-art facility to manufacture Ready to eat meals. This shall help the company to diversify its product line. The company has identified the suppliers of the plant and machinery and received quotations and estimates for the civil construction works. The civil work of factory building started in May 2023. It is estimated that commercial production of the project would commence from September 2023. However, any delay in obtaining all necessary / statutory approvals, completion of civil works and procurement of all critical plant and machineries will lead to time and cost overrun and impact the implementation schedule. Further, since the company is venturing into new product line, the ability to scale up the operations and its realizations is a key monitorable.

**Analytical Approach:** Standalone Approach

**Applicable Criteria:**

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria of Rating Outlook | Infomerics Ratings](#)

**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 65% during the last twelve months ended May-2023, leaving modest room for future working capital requirement of the company. The current ratio as of 31<sup>st</sup> March 2023 Prov. stood adequate at 1.91x. The projected DSCR of the company shall be comfortable and minimum at 3.83x. The company has a planned capital expenditure for FY24, which adds up to around Rs. 10 Cr. The same would be funded through a mix of internal accruals and contribution from the promoters/ unsecured loans. Given the moderate size of capital expenditure plan compared to its current balance sheet size, unencumbered cash and bank balance and the likely sizeable cash accruals from business, the overall liquidity position of the company shall remain adequate, going forward.

**About the Company:**



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Salasar Balaji Overseas Private Limited (SBOPL) was incorporated in the year 2020, part of an established organization "BN GROUP". The Company deals in manufacturing of indigenous vegetable cooking oils. The group is closely held by 2<sup>nd</sup> 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 Uttar Pradesh and Eastern India.

### Financials (Standalone):

For the year ended / As on	31-Mar-2022 (Audited)	31-Mar-2023 (Provisional)
Total Operating Income	147.96	487.57
EBITDA	1.62	17.77
PAT	0.84	10.26
Total Debt	19.71	60.17
Tangible Net worth	11.44	65.71
EBITDA Margin (%)	1.09	3.64
PAT Margin (%)	0.57	2.10
Overall Gearing Ratio (times)	1.72	0.92

*\*Classification as per Infomerics standards*

**Status of non-cooperation with previous CRA:** None

**Any other information:** None

**Rating History for last three years:**

Sr. No.	Name of Instrument/Facilities	Current Ratings (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	125,00	IVR BBB-/ Stable	-	-	-

**Name and Contact Details of the Rating Analyst:**

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### About Infomerics:

Infomerics Valuation and Rating Private Limited (Infomerics) was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

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

For more information visit [www.infomerics.com](http://www.infomerics.com)

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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
Bank of Maharashtra	-	-	Revolving	10.00	IVR BBB-/ Stable
State Bank of India	-	-	Revolving	50.00	IVR BBB-/ Stable
UCO Bank	-	-	Revolving	40.00	IVR BBB-/ Stable
Union Bank	-	-	Revolving	25.00	IVR BBB-/ Stable





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

**Annexure 3: Facility wise lender details:**

<https://www.infomerics.com/admin/prfiles/Len-Salasar-Balaji-jun23.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](http://www.infomerics.com)