



Press Release

Shreyas Sortex Industries Pvt. Ltd

June 22, 2022

Ratings

Instrument Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long term Bank Facilities – Term Loan	13.15	IVR BBB/Stable (IVR Triple B with Stable Outlook)	Assigned	Simple
Long term Bank Facilities – Cash Credit	70.00	IVR BBB/Stable (IVR Triple B with Stable Outlook)	Assigned	Simple
Short Term Bank Facilities – Letter of Credit	4.00	IVR A3+ (IVR Single A Three Plus)	Assigned	Simple
Total	87.15 (Eighty Seven Crores and Fifteen Lakhs Only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Shreyas Sortex Industries Private Limited (SSIPL) draws comfort from its experienced and resourceful promoters, proximity to paddy growing area and comfortable capital structure with satisfactory debt protection metrics. The ratings also positively considers its prudent working capital management and sustained growth in scale of operations with satisfactory financial performance. However, these rating strengths are partially offset by its short track record, fragmented nature of the industry leading to thin profit margins and vulnerability to changes in Government policies. The ratings also considers exposure to agro-climatic risk and uncertain demand – supply situation in recent global economic backdrop. Further, the rating also notes expected moderation in its capital structure and debt protection metrics.

Key Rating Sensitivities:

Upward Factors

- Significant growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals on a sustained basis, which is significantly higher than Infomerics expectations.



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- Effective working capital management with improvement in operating cycle and liquidity

Downward Factors

- Deterioration in the capital structure with substantial increase in gearing ratio and deterioration in interest coverage.
- Elongation in the operating cycle impacting the liquidity/ unplanned capex deteriorating the financial metrics.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced and resourceful promoters:**

The Company is being promoted by a Reputed business family of Gorakhpur and Ballia having very rich experience in the field of trading of Basmati Rice & Non-Basmati Rice. There are Two Directors of the company and they enjoy excellent good will in their respective field. They all belong to Gorakhpur and Ballia Distt. They take active participation in the operations in the company.

- **Proximity to paddy growing areas:**

The primary raw material, paddy, is available in abundant quantity in Ballia 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.

- **Improved operating income in FY22**

The Operating Income y-o-y grew at 309.47% in FY22 from Rs 234.58 crore in FY21 to Rs 965.25 crores in FY22 driven by high demand of rice and catering to new geographies supported by increase in volume due to enhancement of capacity. EBITDA and PAT in absolute number increased to Rs. 19.85 Crore and 5.38 Crore in FY22 against Rs 13.62 Crore and 1.39 Crore in FY21. EBITDA and PAT margin stood at 2.06% and 0.56% as on March 31,2022.



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Satisfactory capital structure and moderate debt protection metrics:

SSIPL total debt comprises of Rs 11.00 crore term loan with repayment of Rs 5.89 crore and working capital limits of Rs 69.32 crore as on March 31, 2022. The long term debt equity and overall gearing ratio stood adequate at 0.32x and 1.62x as on March 31, 2022. Total indebtedness of the company as reflected by TOL/TNW also remained adequate at 1.91x as on March 31, 2022. Although interest expense has been increased from Rs 7.57 crore in FY21 to Rs 7.63 crore in FY22, the interest coverage ratio improved to 2.60x times in FY22. Debt service ratio stood above unity at 1.42 times as on March 31, 2022. Further during FY22, the company has earned a gross cash accruals Rs 10.84 crore as against CPLTD of Rs.5.89 crore. The company has utilised ~89.52% of working capital limits in 06 months ended Apr 2022 providing limited liquidity cushion.

- **Moderate Working capital intensive nature of operations:**

The operations of the company are low capital intensive. SSIPL has a satisfactory operating cycle of 30 days in FY22 on account of 24 days of inventory period and 11 days of collection period. The company managed its receivables cycle well which gets reflected in the average debtor days of around a month in FY22. Being an agro commodity, the procurement of paddy for the entire year is seasonal and happens during the months of October-December which increases the working capital requirement. Also basmati requires ageing to attain desired quality. The current ratio is adequate at 1.32x as on March 31, 2022.

Key Rating Weaknesses

- **Short track record**

SSIPL began operations in Nov 2015 and has less than Seven years of experience in the rice milling business.

- **Exposure to agro-climatic risk**

Cultivation of paddy, the primary raw material depends on monsoon and availability of irrigation. Further, price of paddy is highly volatile and influenced by climatic conditions.



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SSIPL is susceptible to any shortage or price fluctuation during unfavourable climatic conditions and hence the raw material needs to be adequately stocked for the processing during non-season period.

- **Fragmented nature of the industry**

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 SSIPL.

- **Vulnerability to changes in Government policies**

The rice industry is regulated in terms of paddy prices, export/import of rice, and the release mechanism. Thus, the company remains exposed to changes in Government policies in relation to stipulation of MSP for procurement of paddy from farmers and revision of policies on export, etc.

Analytical Approach: Standalone

Applicable Criteria :

[Rating Methodologies for Manufacturing Entities](#)
[Financial Ratios & Interpretation Non- Financial Sector](#)

Liquidity – Adequate

The liquidity position of the company is marked by its adequate with a GCA of Rs 10.84 crore as against CPLTD of 5.89 crores as on March 31, 2022. The GCA is expected to be in a arrange of Rs 10.84-22.00 crore against the repayment of Rs 5.89 to 0.43 crore in FY23-25. The company has good current ratio of 1.33x and quick ratio of 0.27x. Further, the company has limited liquidity buffer as indicated by highly utilised bank limits at~89.52% in the past 06 months ended on Apr, 2022.

About the Company

Shreyas Sortex Industries Private Limited, established in 2015 as a private limited company by Mr. Vinay Kumar Singh and Mrs. Tara Singh. The company mills and processes basmati and non-basmati rice. The company is running a unit of Automatic Rice Mill at Balia, Uttar Pradesh with the capacity of 54 M.T. per hour. The commercial production of the unit started in



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November 2015 with installed Capacity of 10 MT per hour which was further expanded by 20 MT per hour in December 2016 and 12 MT per hour in Feb 2018. In November 2021, the company added another 12MT per hour.

Financials (Standalone):

For the year ended* As on	(Rs. crore)	
	31-03-2021	31-03-2022
	Audited	Provisional
Total Operating Income	234.58	965.25
EBITDA	13.62	19.85
PAT	1.39	5.38
Total Debt	56.46	86.20
Tangible Net worth*	22.52	53.18
EBITDA Margin (%)	5.81	2.06
PAT Margin (%)	0.59	0.56
Overall Gearing Ratio (x)	3.58	1.62

*as per Infomerics standards

Status of non-cooperation with previous CRA : N.A

Any other information: Nil

Rating History for last three years:

Sl. No.	Name of Instrument / Facilities	Current Rating (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Term Loan	Long Term	13.15	IVR BBB/Stable (IVR Triple B with Stable Outlook)	-	-	-
2.	Cash Credit	Long Term	70.00	IVR BBB/Stable (IVR Triple B with Stable Outlook)			
3.	Letter of Credit	Short Term	4.00	IVR A3+ (IVR Single A Three Plus)	-	-	-



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About Infomerics:

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

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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
Long term Bank Facilities – Term Loan	-	-	-	13.15	IVR BBB/Stable (IVR Triple B with Stable Outlook)
Long term Bank Facilities – Cash Credit				70.00	IVR BBB/Stable (IVR Triple B with Stable Outlook)
Short Term Bank Facilities – Letter of Credit				4.00	IVR A3+ (IVR Single A Three Plus)

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

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Len-Shreyas-Sortex-june22.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