



Press Release

Shreyas Sortex Industries Private Limited

September 05, 2024

Ratings:

Instrument / Facility	Amount (Rs. Crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	155.48	IVR BBB+ /Stable (IVR Triple B Plus with Stable Outlook)	IVR BBB+ /Stable (IVR Triple B Plus with Stable Outlook)	Re-affirmed and withdrawn	Simple
Total	155.48	Rupees One Hundred Fifty Five Crores and Forty Eight Lakhs Only			

Details of Facilities/Instrument are in Annexure 1

Facility wise lender details are at Annexure 2

Detailed explanation of covenants is at Annexure 3

Detailed Rationale

Infomerics Valuation and Rating Private Limited (IVR) has re-affirmed the long-term rating to IVR BBB+ with a Stable outlook and simultaneously withdrawn the rating assigned to bank loan facilities of Shreyas Sortex Industries Private Limited with immediate effect. The ratings have been withdrawn at the request of the company vide email dated 13th August 2024. IVR has received "No objection certificate" from Punjab National bank who have extended the facilities, and which have been rated by Infomerics.

The rating is being withdrawn in accordance with Infomerics' Policy on Withdrawal of ratings.

IVR has principally relied on the standalone audited financial results of SSIPL up to 31 March 2023, and FY2024 (refers to period April 1st, 2023, to March 31, 2024) and projected financials for FY2025, FY2026 and FY2027, and publicly available information/ clarifications provided by the company's management.

Key Rating Sensitivities: N.A.

List of Key Rating Driver with Detailed Description



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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 FY24(A):

The Operating Income y-o-y marginally grew at 39.41% in FY24(A) from Rs 1,050.20 crore in FY23 to Rs 1,464.11 crores in FY24(A) owing to the major contribution of the sales is derived from sale of Basmati rice (around 80%-85%) followed by non-basmati rice (around 15% - 20%) and other ancillary product. Further the realization of basmati rice is 64% higher compared to non-Basmati rice. The EBITDA of the company significantly improved to Rs. 109.83 Crore in FY24(A) against Rs 34.32 Crore in FY23(A) on account of higher revenue contribution from aged rice (1 year of ageing, where the realisation is higher). In line with the improvement of EBITDA, the PAT of the company also improved significantly to Rs. 67.88 Crore as on March 24(A) against Rs. 15.43 Crore in FY23(A). In terms of Percentage the operating margins stood to 7.50% and profitability margins stood to Rs. 4.63% as on March 24.

Satisfactory capital structure and moderate debt protection metrics:

The company adjusted net worth as on March 31, 2024, consist of subordinated unsecured loans aggregating to Rs. 44.83 crore from the promoters which is considered as quasi equity. Considering the same the adjusted tangible net worth of the company stood at Rs.182.24 crore as on March 31, 2024 compared with Rs. 113.37 crore as on March 31, 2023. Increase in Net Worth, leading to improvement in overall gearing ratio to 0.86x as on March 31, 2024, compared to 1.41x as on March 31, 2023). Interest coverage ratio was satisfactory 6.78x in



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FY24 and Total Outside Liability on Total Adjusted Net Worth was comfortable at 1.81x as on March 31, 2024.

Key Rating Weaknesses

Moderate Working capital intensive nature of operations:

The moderate working capital management of the company is marked by working capital cycle of 76 days in FY24, though it marginally declined from 62 days in FY23. The debtor period was 6 days in FY24 as compared to 4 days in FY23. The inventory holding stood efficient at 91 days in FY24 as compared to 62 days in FY23. The company managed its receivables cycle well which gets reflected in the average debtor days of around 10 days in FY24(A). 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 1.50x as on March 31, 2024(A).

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. 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.



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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: For arriving at the ratings, IVR has analysed SS IPL credit profile by considering the standalone financial statements of the company.

Applicable Criteria:

[Rating Methodology for Manufacturing Companies.](#)
[Financial Ratios & Interpretation \(Non-Financial Sector\).](#)
[Criteria for assigning Rating outlook.](#)
[Complexity Level of Rated Instruments/Facilities](#)
[Policy of Withdrawal of Rating](#)
[Policy on default recognition](#)

Liquidity – Adequate

The liquidity position of the company is marked by its adequate with a GCA of Rs 67.88 crore as against CPLTD of 3.70 crores as on March 31, 2024. The GCA is expected to be in a range of Rs 78.10 crore – Rs. 96.70 Crore against the repayment of Rs 1.41 Crore to 0.67 crore in FY25-27. The company has good current ratio of 1.50x. Further, the company has limited liquidity buffer as indicated by highly utilised bank limits at~84.74% in the past 12 months ended on June, 2024.

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 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.



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Financials: Standalone

(Rs. Crore)

For the year ended*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	1,050.20	1464.11
EBITDA	34.42	109.83
PAT	15.43	67.88
Total Debt	159.96	156.05
Tangible Net Worth	69.49	137.41
EBITDA Margin (%)	3.27	7.50
PAT Margin (%)	1.47	4.63
Overall Gearing Ratio (x)	2.93	1.46
Interest Coverage Ratio (x)	3.69	6.78

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA – None

Any other information: Not Applicable

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2024-25)				Rating History for the past 3 years		
		Type	Amount (Rs. Crore)	Rating	Dated : April 01, 2024	Date(s) & Rating(s) assigned in 2023-24 (July 10 th , 2023)	Date(s) & Rating(s) assigned in 2022- 2023 (June 22, 2022)	Date (s) & Rating(s)) assigned in 2021 -22
1.	Fund Based	Long Term	155.48	IVR BBB+/Stable (Reaffirmed and withdrawn)	IVR BBB+/Stable	IVR BBB+/Stable	IVR BBB/Stable	-



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Name and Contact Details of the Rating Analyst:

Name: Om Parkash Jain
Tel: (011) 45579024
Email: opjain@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.

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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			March 2025	5.48	IVR BBB+/ Stable Withdrawn
Cash Credit	-	-	-	150.00	IVR BBB+/ Stable Withdrawn

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-Shreyas-Sortex-sep24.pdf>

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

Annexure 4: List of companies considered for consolidated 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.