



Press Release

Shreyas Sortex Industries Private Limited

April 01, 2024

Ratings

Instrument Facility	Amount (Rs. Crore)	Current Ratings	Previous Rating	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	Simple
Total	155.48	Rupees One hundred fifty five crores and forty eighty lakhs only.			

Details of Facilities are in Annexure 1

Detailed Rationale

Informetrics Valuation and Rating Private Limited (IVR) has re-affirmed the long term rating of IVR BBB+ with a Stable outlook for the bank loan facilities of Shreyas Sortex Industries Private Limited (SSIPL)

The ratings draw comfort from its established track record of operations and experienced promoters, geographical location advantages and growing scale of operations. However, these strengths are partially offset by moderate operating cycle, exposure to agro-climatic risk, fragmented nature of the industry leading to thin profit margins and susceptibility to changes in government regulations.

The 'Stable' outlook indicates a low likelihood of rating change over the medium term. IVR believes SSIPL will continue to benefit from its operational track record in the business, its reputed clientele and regular inflow of orders.

IVR has principally relied on the standalone audited financial results of SSIPL upto 31 March 2023, 9MFY24 Provisional results and Projected Financials of FY2024 , FY2025 and FY2026 and publicly available information/ clarifications provided by the company's management.



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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.
- 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 matrix.

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.



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Improved operating income in FY23(A) & 9MFY24:

The Operating Income y-o-y marginally grew at 8.81% in FY23(A) from Rs 963.96 crore in FY22 to Rs 1,050.21 crores in FY23 and further to Rs. 1,102.31 Crore as on Dec 2023 owing to the major contribution of the sales is derived from sale of Basmati rice (around 75% -80%) followed by Non- basmati rice (around 12% - 18%) and other ancillary product. Further the realization of basmati rice is 64% higher compared to non-Basmati rice. EBITDA and PAT margin stood at 3.29% and 1.47% as on March 31, 2023 against 2.10% & 0.67% on FY22 which was significantly increased to 7.14% & 4.33% as on Dec 2023. The margins are ably supported by better realizations and demand for Basmati Rice.

Satisfactory capital structure and moderate debt protection metrics:

As on March 31, 2023, total debt of Rs. 159.96 Crore comprises of term debt of Rs 6.40 crore along with repayment of Rs 4.73 crore and working capital limit of Rs 148.83 crore. The long-term debt equity and overall gearing ratio stood adequate at 0.79x and 2.93x as on March 31, 2023. Total indebtedness of the company as reflected by TOL/TNW also remained adequate at 2.59x as on March 31, 2023. The Debt protection metrics including the interest coverage ratio improved to 3.84x times in FY23(A) and Debt service ratio stood above unity at 1.97 times as on March 31, 2023.

Key Rating Weaknesses

Moderate Working capital intensive nature of operations:

The operations of the company are working capital intensive. SSIPL has a moderate operating cycle of 62 days in FY23(A) on account of 63 days of inventory period and 4 days of collection period. The company managed its receivables cycle well which gets reflected in the average debtor days of around a month in FY23(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 1.51x as on March 31, 2023(A).



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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 .

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 Methodology for Manufacturing entities](#)
[Financial Ratios & Interpretation Non- Financial Sector](#)
[Criteria for assigning rating outlook](#)
[Policy on default recognition](#)

Liquidity – Adequate

The liquidity position of the company is marked by its adequate with a GCA of Rs 73.68 crore as against CPLTD of 4.73 crores as on March 31, 2023. The GCA is expected to be in a range of Rs 87.20 crore – Rs. 106.35 Crore against the repayment of Rs 3.23 Crore to 0.95 crore in FY25-26. The company has good current ratio of 1.51x. Further, the company has limited liquidity buffer as indicated by highly utilised bank limits at~85.38% in the past 12 months ended on Jan, 2024.



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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.

Financials (Standalone):

(Rs. crore)

For the year ended* As on	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	963.96	1,050.21
EBITDA	20.26	34.54
PAT	6.44	15.43
Total Debt	86.07	159.96
Tangible Net worth*	54.09	69.49
EBITDA Margin (%)	2.10%	3.29%
PAT Margin (%)	0.67%	1.47%
Overall Gearing Ratio (x)	1.59x	2.93x

*as per Infomerics standards

Status of non-cooperation with previous CRA : Nil

Any other information: : Nil



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Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2023-24)				Rating History for the past 3 years		
		Type	Amount Outstanding (Rs. crore)	Rating	Rating Dated : July 10, 2023	Date(s) & Rating(s) assigned in 2022-23 Dated : June 22 nd , 2022	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1	Term Loan	Long Term	5.48	IVR BBB+/ Stable (IVR Triple B Plus with Stable outlook)	IVR BBB+/ Stable (IVR Triple B Plus with Stable outlook)	IVR BBB/ Stable (IVR Triple B with Stable outlook)	-	-
2	Cash Credit	Long Term	150.00	IVR BBB+/ Stable (IVR Triple B Plus with Stable outlook)	IVR BBB+/ Stable (IVR Triple B Plus with Stable outlook)	IVR BBB/ Stable (IVR Triple B with Stable outlook)	-	-

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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
Long Term Bank Facilities – Term Loan			March 2025	5.48	IVR BBB+/ Stable (IVR Triple B Plus with Stable outlook)
Long Term Bank Facilities – Cash Credit				150.00	IVR BBB+/ Stable (IVR Triple B Plus with Stable outlook)

Annexure 2: List of companies considered for consolidated analysis: Not applicable

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-ShreyasSortex-apr24.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