Press Release

Sai Hanumant Industries

January 11, 2022

Ratings

Facility	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	40.00	IVR BBB-/ Stable (IVR Triple B minus with Stable outlook)	Removed from credit watch; Rating Reaffirmed with Stable outlook
Short Term Bank Facilities	5.00	IVR A3 (IVR A Three)	Removed from credit watch; Rating Reaffirmed
Total	**45.00 (INR Forty- Five Crores Only)**		

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the above bank facilities of Sai Hanumant Industries (SHI) derives strength from extensive experience of its proprietor in the rice milling industry along with long track record of the entity. The ratings also consider steady improvement in the scale of operations supported by improvement in its utilized capacity, locational advantage of the entity and favourable demand of rice. However, the rating strengths remain constrained by entity's exposure to intense competition, vulnerability of profitability to agro-climatic risks and changes in government regulations, thin profitability on account of low product differentiation, leveraged capital structure and proprietorship nature of its constitution.

Earlier the ratings were placed under credit watch with developing implications owing to uncertainty in the operating scenario amid COVID-19. However, it has been removed from credit watch with improvement in its financial performance in H1FY22.

Key Rating Sensitivities:

Upward Factors

- Growth in revenues and profitability on a sustained basis
- Improvement in the capital structure with overall gearing improved to below 1.5x and/or improvement in debt protection metrics

- Improvement in liquidity

Downward Factors

- Any significant rise in paddy procurement cost or significant decline in revenues and/or profitability
- Moderation in the capital structure with overall gearing deteriorated below 3x and or moderation in debt protection metrics
- Deterioration in liquidity position

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Extensive experience of the proprietor in the rice milling industry

The proprietor Mr. Sunil Dhamejani has an extensive experience of about 10 years in the rice milling industry, thereby fostering strong relationships with customer and suppliers.

Location advantage with proximity to key rice growing belt of the country

SHI's paddy processing units are located in Chhattisgarh which counts amongst the key rice growing regions of the country entailing location advantage with respect to the key raw material availability and logistics. Further, most of the customers of the entity also remain in the vicinity of the processing units.

Improvement capacity utilization

The entity has increased its installed capacity to 17520 MT per annum in FY21 from 12410 MT per annum in FY20, by leasing a unit "Shanti Parboiling Industries" for the next five years thereby boosting rice production in FY21.The entity has achieved a capacity utilization of around~80% in FY21.

Steady growth in operations

The entity has reported a steady growth in its revenue at a CAGR of ~86% during FY18-21 with an y-o-y improvement of ~117% from FY20 to FY21 driven high demand of rice and catering to new geographies. The entity reported a revenue of Rs.872.72 crores in FY21(P) as against Rs. 400.49 crores in FY20(A). Further, in Q1FY22 the entity has achieved a revenue of Rs. 284.32 crore. Further the company has achieved a revenue of Rs. 530.09 crore for 6MFY22 (Prov.)

Favourable demand outlook for rice and rice products

Rice being a staple diet in the Asian region, its demand prospects remain favourable. India accounts for second largest rice producer and consumer in the world. Globally, given the spread of Indian diaspora also supports the demand for paddy and its products.

Improvement in financial performance in H1 FY2022

The company has performed well in H1FY22 and has achieved net profit of Rs. 5.72 crore on a revenue of Rs. 530.09 crore. Infomerics expects gradual improvement in its performance going forward and will monitor the developments in this regard.

Key Rating Weaknesses

Intense competition in the rice industry

The fragmented nature of the rice industry results in stiff competition, which limits the pricing flexibility of the industry participants. This keeps the profitability at modest levels.

Vulnerability to agro-climatic risks and changes in the Government regulations

The paddy being an agricultural commodity, its production remains susceptible to agro-climatic risks. Thus, any climatic variations impacting supply is likely to have a bearing on its pricing. Government intervention through changes in minimum support price and export regulations may also exhibit an impact on the paddy price movement, ability to pass on the same to the customers remains critical as far as the profitability of rice millers like SHI is concerned. Rice milling being a fragmented industry remains marked by presence of mainly unorganised players. Further, commoditised nature and low differentiation of the product dealt also limits the bargaining power of the rice millers.

Thin profitability

The profit margin of the entity remained thin over the years due to low value additive nature of rice milling business with less product differentiation and high competition in the operating spectrum. Further, the sales realisation also remain fluctuating based on demand supply situation. The EBITDA margin and PAT margin of the entity remained thin in the range of 1.75%-3.50% and 0.6%-1.10% respectively during the past three fiscals.

Leveraged capital structure with moderate debt service coverage indicators

The capital structure of the entity remained leveraged over the past fiscals marked by its high overall gearing driven by its moderate net worth base and higher dependence on ban borrowings to fund its working capital requirements. The debt equity and overall gearing ratio though improved from 1.11x and 3.66x as on March 31,2020 to 0.65x and 2.61x as on March 31,2021 backed by accretion of profit during FY21 remained on the higher side. Further, the total indebtedness of the entity remained satisfactory at 2.81x as on March 31,2021. The debt protection metrics of the entity remained average over the years. Further, the interest coverage ratio moderated from 4.11x in FY20 to 1.69x in FY21 due to sharp rise in interest outgo attributable to higher utilisation in working capital borrowings to fund enhanced working capital requirements with sharp improvement in its scale of operations. The total debt to GCA remained moderate at 4.57 years in FY21.

Proprietorship nature of constitution

Given the entity's constitution as a Proprietorship entity, it is exposed to discrete risks including that of capital withdrawal by the proprietor.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non- Financial Sector)

Liquidity – Adequate

The liquidity position of the entity is expected to remain adequate marked by it expected adequate gross cash accruals as against its debt service obligations during FY22-24. Further, the entity does not have any major capacity expansion plans in the medium term which imparts comfort. The entity has repayment of Rs.3.62 crores and Rs. 3.05 crores respectively against gross cash accruals of Rs.11.81 crores and Rs.18.23 crores respectively during FY23 and FY24.

About the Entity

Sai Hanumant Industries is a proprietorship concern established in 2005 in Raipur, Chhattisgarh by one Mr. Sunil Dhamejani. The entity is primarily engaged in milling of paddy and rice processing. The entity has installed capacity of 18 MT Per hour of Paddy to Rice processing and 16 MT of Rice-to-Rice Processing for usna rice. The entity has also rented an additional rice mill unit by the name of "Shanti Parboiling Industries" from November 2020 with an installed capacity of 14MT per hour for 5 Years.

Financials (Standalone):

(Rs.crore)

For the year ended* / As On	31-03-2020	31-03-2021
	Audited	Provisional
Total Operating Income	400.49	872.72
EBITDA	6.90	27.99
PAT	2.39	9.28
Total Debt	40.11	52.49
Tangible Net worth	10.95	20.07
EBITDA Margin (%)	1.72	3.21
PAT Margin (%)	0.60	1.06
Overall Gearing Ratio (x)	3.66	2.61

Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: NA

Any other information: Nil

Rating History for last three years:

Press Release

Sr. No.	Name of Facilities	Current Ratings (Year 2021-22)			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 loans	Long Term	10.00	IVR BBB- / Stable	IVR BBB- Under Credit Watch with Developing Implications (August 2,2021) IVR BBB- Under Credit Watch with Developing Implications (August 12, 2021)	-	-
2.	Cash Credit	Long Term	30.00	IVR BBB- /Stable	IVR BBB- Under Credit Watch with Developing Implications (August 2,2021) IVR BBB- Under Credit Watch with Developing Implications (August 12, 2021)	-	-
3.	Packing Credit	Short Term	5.00	IVR A3	IVR A3 Under Credit Watch with Developing Implications (August 2,2021) IVR A3	-	-

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					Under Credit Watch with Developing Implications (August 12,2021)		

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

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 I	-	-	June 2025	8.50	IVR BBB- / Stable
Term Loan II	-	-	May 2022	1.50	IVR BBB- / Stable
Cash Credit	-	-	-	30.00	IVR BBB- / Stable
Packing Credit	-	-	-	5.00	IVR A3

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

Annexure 3: Facility wise lender details

https://www.infomerics.com/admin/prfiles/Sai-Hanumant-lenders-jan22.pdf

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Annexure 5: Complexity level of the rated Instruments/Facilities

Sr No.	Instrument	Complexity Indicator
1.	Term Loan	Simple
2.	Cash Credit	Simple
3.	Packing Credit	Simple

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.