



Press Release

Scasa Nutrients Pvt Ltd
September 03, 2020

Rating

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Ratings Assigned	Rating Action
1	Fund Based Limit-Long Term	24.37	IVR BBB-/Stable (IVR Triple B Minus with stable outlook)	Assigned
	Total	24.37		

Details of Facilities are in Annexure 1

Detailed Rationale

- The rating assigned to the bank facilities of Scasa Nutrients Pvt Ltd derives comfort from its experienced promoters, well established customer base, consistent improvement in performance, satisfactory capital structure with moderate debt protection parameters and good technological abilities. However, the rating strengths are partially offset by inventory management and scarcity of raw material and exposure to government policies. The rating also considers its working capital intensive nature of operations.

Key Rating Sensitivities

Upward Rating Factors

- Substantial and sustained growth in operating income and profitability on a sustained basis
- Sustenance of the capital structure and improvement in debt protection metrics
- Improvement in working capital utilisation with improvement in liquidity

Downward factor:

- Moderation in operating income and/or profitability impacting the cash accruals and debt protection metrics
- Any stretch in working capital cycle driven by pile-up of inventory or stretched receivables or sizeable unplanned capital expenditure affecting the financial risk profile, particularly liquidity.
- Withdrawal of subordinated unsecured loans (amounting to ~Rs.7.73 crore) treated as quasi equity



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced Promoters**

The operations of the company are looked after by Mr. Arjun Sethi, director having more than a decade experience. Mr. Arjun Sethi holds an MBA degree and has done Flour Milling Courses to amass his knowledge about the food processing sector. Mrs. Saroj Sethi is the director of the company with more than 30 years of experience. She has been assisting Mr. Arjun Sethi in running the business.

- **Well Established Customer Base**

The company has a wide, well established customer base and attracts big MNCs and also local large scale industries. Some of the notable companies that SNPL supplies to and has maintained good relationship with are ITC, Britannia, Nestle, Bonn Nutrients Private Limited, Kitty Industries Pvt. Ltd. The top 10 customers accounted for 61% of the company's sales indicating moderately diversified customer base for FY20.

- **Consistent improvement in performance**

The operating revenue of the company has increased by a CAGR of ~20% in past three years ended FY20 and significant y-o-y increase by ~37% in FY20. The increase in gross revenue over the years was driven by factors such as an increase in the quantity of units sold and an increase in the average gross sales realisation price over the years.. The company registered an increase in PAT margins from 0.33% in FY19 to 1.39% in FY20 driven by efficiently expenses management.

- **Satisfactory capital structure with moderate debt protection parameters**

The capital structure of the company remained moderate marked by its satisfactory leverage ratios as on the past three account closing dates. The overall gearing ratio improved from 1.14x as on March 31, 2019 to 1.05x as on March 31, 2020 mainly driven by accretion of profit to net worth, scheduled repayment of term loans. Total indebtedness of the company marked by TOL/ANW remained satisfactory at 1.21x as on March 31, 2019 and 1.14x as on March 31, 2020. To arrive at the net worth, Infomerics has considered ~Rs.7.73 crore of unsecured loans from the promoters/ directors as quasi-equity as the same is subordinated



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to the bank facilities. The debt protection parameters of the company remained healthy with interest coverage of 2.47x in FY20 (Prov.) [1.90x in FY19] and Total debt to GCA at 1.72 years in FY20 (Prov.) [1.85 years in FY19]. Infomerics expects that the financial risk profile of the company will continue to remain satisfactory in the near term.

- **Good Technological abilities**

Scasa Nutrients Pvt. Ltd. is a state-of-art manufacturing complex equipped with the latest and technically most advanced machinery. The entire machinery has been sourced from 'Buhler AG', Switzerland. No one in the state currently has the entire machinery sourced from Buhler. An in-house Laboratory for total quality management is available.

Key Weaknesses

- **Inventory Management and Scarcity of Raw Material**

With rapid growth and seasonal availability of certain crops the industry faces delays in production which could result in low supply and inability of the company in meeting the demand. Moreover, the food processing industry is highly competitive and fragmented with presence of numerous small and medium sized players along with established players as well as low value additive nature of the work limits the profitability of the company.

- **Working capital intensive nature of operation**

To fund its working capital requirements the company is largely dependent on the bank borrowings. Consequently, the average working capital limit utilization of the company remained moderate at ~84% for the past twelve months ending June, 2020.

- **Exposure to government policies**

SNPL, like other players in the agro-commodity business, remains exposed to changes in the legal and regulatory environment such as revision of tax rates, changes in import duty.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)



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Liquidity: Adequate

The liquidity position of the company is expected to remain adequate as the company is expected to generate steady cash accruals of Rs. 3.46 crore, Rs. 3.65 crore and Rs. 3.81 crore in FY21, FY22 and FY23 as against its scheduled debt repayment obligation of Rs. 0.91 crore, Rs. 1.00 crore and Rs. 0.59 crore in FY21, FY22 and FY23 respectively. However, its bank borrowing limits remained moderately utilized to the extent of ~84% during the past 12 months ended June 2020 indicating a low liquidity buffer.

About the Company

Established in April 2013 as a proprietorship firm, Scasa Nutrients changed their constitution on 11th January 2017 to a private limited company, Scasa Nutrients Private Limited (SNPL) is engaged in manufacturing and processing of Wheat flour with a Flour Mill based in Ludhiana, Punjab. The company mostly engages in B2B transactions, state recommended projects and supplying their products to the defence and railway sector. The factory has an annual production capacity 105,000 Tons per annum located in Ludhiana. The company is looked after by Mr. Arjun Sethi and, Mrs. Saroj Sethi.

Financials (Standalone):

For the year ended* As on	(Rs. crore)	
	31-03-2019	31-03-2020
	Audited	Audited
Total Operating Income	97.14	132.72
EBITDA	4.20	6.22
PAT	0.32	1.85
Total Debt	23.66	24.35
Tangible Net worth	13.6	15.4
EBITDA Margin (%)	4.32	4.69
PAT Margin (%)	0.33	1.39
Overall Gearing Ratio (x)^	1.14	1.05

*classification as per Infomerics standard

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:



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Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Term Loan	Long Term	2.37	IVR BBB- /Stable Outlook	-	-	-
2.	Cash Credit	Long Term	22.00	IVR BBB- /Stable Outlook	-	-	-

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.

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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.



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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	-	-	-	2.37	IVR BBB- /Stable Outlook
Short Term Bank Facilities – Cash Credit	-	-	-	22.00	IVR BBB- /Stable Outlook