

RATING RATIONALE

Sainik Industries Private Limited
(formerly known as Sainik Foods Private Limited)

Brickwork Ratings reaffirms the ratings for the bank loan facilities of ₹ 50 Crores of Sainik Industries Private Limited ('SIPL' or the company)

Particulars:

Facility**	Amount (₹ Cr)	Amount (₹ Cr)	Tenure	Previous Rating (October, 2020)	Present Rating
	Previous	Present			
Fund based OD/CC - Proposed	0.00	5	Long Term	Withdrawn	BWR BB+ (Stable) Assign
Non Fund Based ILG - Sanctioned ILG - Proposed	15 35	15 30	Long Term	BWR BB+ Stable Reaffirm	BWR BB+ Stable Reaffirm
Total	50	50	INR Fifty Crores Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

** Details of Bank facilities is provided in Annexure-I

RATING ACTION / OUTLOOK

Brickwork rating has assigned the fund based facilities a rating of BWR BB+ (Stable) and has reaffirmed the rating of non fund based facilities at BWR BB+ (Stable) of Sainik Industries Private Limited.

The rating draws comfort from experience of promoters, diversified business profile, comfortable financial risk profile, revenue visibility and reputed clientele. The rating however, is constrained by exposure to risks related to the tender based nature of business, decline in revenue, susceptibility of the operations to changes in government regulations and impact of Coronavirus (COVID-19) pandemic.

The 'Stable' outlook indicates a low likelihood of rating change over in the medium term. BWR expects that Sainik Industries Private Limited business risk profile will be maintained over the medium term.

KEY RATING DRIVERS

Credit Strengths:

- **Experienced Promoters:** The Directors of the company, Mr. Ajay Rastogi and Mr. Yogesh Kumar Saxena have more than two decades of experience in the trading and manufacturing of food products. Mr. Ajay Rastogi is an experienced veteran and highly skilled business man with an experience of 28 years in the trading and manufacturing of food products. Mr. Yogesh holds knowledge of new technologies and therefore both the directors give the strategic direction to the company. In last 2 years, the vast experience of the directors has helped the company to enter into diversified business lines i.e. Solar Business, Fisheries, Mining etc.
- **Diversified Business Profile:** Company's business profile is well diversified, with presence across multiple business lines like trading of the Sugar, Pulses, Food Grain and Cereals, Fisheries business, Solar Business and Mining Business. The Company has diversified into fisheries, mining and solar business in the last 2 years. Company gets the major business through government contracts across all the business lines. So diversification into different business lines gives an edge in case of any downturn into any of the business segments.
- **Comfortable Financial Risk Profile:** The financial risk profile of the company is comfortable as marked by Tangible Net worth of INR 144.17 Crores in FY20(Prov) as against INR 125.50 Crores in FY19. The gearing i.e. Total Debt/TNW & TOL/TNW stood at 1.47x & 1.68x in FY20(Prov) as against 1.13x & 1.82x in FY19. Company reported EBITDA of INR 32.44 Crores and PAT of INR 18.69 Crores in FY20(Prov). NPM & OPM increased to 10.79% & 18.72% in FY20 (Prov) as against 7.26% & 9.84% in FY19. Net Cash Accruals stood at INR 21.68 Crores. The Debt Protection Metrics is above average i.e. ISCR & DSCR stood at 2.37x & 2.63x in FY20(Prov) as against 5.80x & 5.65x in FY19.
- **Revenue Visibility and Reputed clientele:** The Company is involved in execution of long term contracts w.r.t. mining and fisheries. The Company got mining contracts from MP State Mining Corporation, Bihar Stone Mining, UP Sand Mining, Punjab Sand Mining which will be completed in the next 2-5 years. It has also got fisheries contracts from Uttarakhand Matsya Palak Vikas Abhikaran Dehradun in Baigul Dam and Nanak Sagar Dam which will be completed in next 2 years. Although the company doesn't bid directly for solar contracts but it is involved in execution on behalf of another company for Uttar Pradesh New & Renewable Energy Development Agency, Assam Power Distribution Corporation Limited. Expected revenue from mining contracts amounts to INR 130.00 Crores and from fisheries contracts amounts to INR 8.00 Crores in FY21. The ongoing solar contracts will be completed by the end of FY21 and revenue from solar is expected to be around INR 70.00 Crores.

Credit Weakness:

- **Exposure to risks related to the tender-based nature of business:** Work orders are received based on a bidding process, and hence, revenue remains dependent on successful bids for tenders. Contracts entered into are for 2-5 years, and their non-renewal could affect revenue over the medium term.
- **Decline in Revenue:** The revenue declined by around 67% in FY20 (Prov) as against FY19 i.e. from INR 519.16 crores in FY19 to INR 173.28 Crores in FY20 (Prov). Revenue declined mainly due to significant decline in sugar trading business.
- **Susceptibility of the operations to changes in government regulations:** The mining segment in India is regulated by two agencies: the Ministry of Mines of the respective state government and the Indian Bureau of Mines. The state Ministry of Mines is responsible for granting mining concessions. Prior approval from the central government is necessary before the state government grants the mining concessions.
- **Impact of Coronavirus (COVID-19) pandemic:** The Company's revenues are expected to be impacted marginally in the short to medium term because there was disruption in the ongoing contracts w.r.t solar, fisheries and mining in the first quarter of current financial year due to lockdown imposed to contain the spread of novel coronavirus.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

BWR has factored in the standalone business parameters and financial risk profile of the entity to arrive at the rating. Reference may be made to the Rating Criteria hyperlinked detailed below (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

Going forward, the ability of the company to further improve its scale of operations, profitability margins, the debt servicing capability & liquidity would be key rating sensitivities.

- **Positive :**
The rating may be upgraded if the entity is able to achieve significant growth in revenue along with a significant improvement in profit margins and achieve the estimated results.
- **Negative :**
The rating may be downgraded if revenue and profit margins substantially decline from the current level and if there is an overall deterioration in the financial risk profile of the entity.

LIQUIDITY POSITION: Adequate

Adequate: Liquidity is adequate. The cash flow would continue to be positive in the near term on account of higher absolute EBITDA. As per FY20 (Prov) CA Certified, Net Cash accrual is INR 21.68 Crores which comfortably covers maturing debt repayment obligations over the medium



term and supports sustaining liquidity profile. Further, need-based funding support from promoters is expected to continue.

COMPANY PROFILE

Sainik Industries Private Limited (formerly known as Sainik Foods Private Limited) was established in July, 2005 having registered office in Kalkaji, New Delhi. Company is into the business of trading in the Sugar, Pulses, Food Grain and Cereals. The Company has secured and successfully executed many contracts of supply of essential commodities under PDS scheme to various governments viz. Government of Meghalaya, Delhi Government, Himachal Government and Madhya Pradesh Government. Since 2017, Company diversified its business in the fisheries sector and mining sector also. The Company was awarded fishing rights in Nanak Sagar Dam and Baigul Dam in 2017 by Fisheries Department, Uttarakhand in the State of Uttarakhand for five years and it has also secured contracts in mining in the state of Punjab, Uttar Pradesh, Bihar and Madhya Pradesh for extraction of river sand and stone for three to five years. In 2018, Company entered in the business of manufacturing and trading of Solar products and has secured contracts in the state of Assam, UP and Punjab for supply and installation of solar lights and solar power pack under joint venture.

KEY FINANCIAL INDICATORS

Key Parameters	Units	FY 19	FY20
Result Type		Audited	Provisional
Total Operating Income	Rs Crs	519.16	173.28
OPBDIT	Rs Crs	51.08	32.44
PAT	Rs Crs	37.69	18.69
TNW	Rs Crs	125.50	144.17
Total Debt/TNW	Times	1.13	1.47
TOL/TNW	Times	1.82	1.68

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED - NA

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY- Not Available

RATING HISTORY FOR THE LAST 3 YEARS (INCLUDING WITHDRAWN/SUSPENDED)

Facilities	Current Rating (November, 2020)			Rating History			
	Tenure	Amount (₹ Cr)	Rating	14 Oct 2020	03 Oct 2019	2018	2017
Fund Based OD/CC	Long Term	5	BWR BB+ (Stable) Assign	Withdrawn	BWR BB+ (Stable) Assign	-	-
Non Fund Based ILG-Sanctioned ILG-Proposed	Long Term	15.00 30.00	BWR BB+ (Stable) Reaffirm	BWR BB+ (Stable) Reaffirm	BWR BB+ (Stable) Assign	-	-
Total		50.00	INR Fifty Crores Only				

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- **General Criteria**
- **Approach to Financial Ratios**
- **Rating Criteria for Trading Entities**

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Sainik Industries Private Limited

ANNEXURE I

Details of Bank Facilities rated by BWR

Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
Punjab National Bank	Fund Based OD/CC - Proposed	5	-	5
	Non Fund Based ILG -Sanctioned ILG - Proposed	15	-	15
		30	-	30
TOTAL				50

INR Fifty Crores Only

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BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

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