Press Release

Shiva Global Agro Industries Limited (SGAIL)

May 29, 2017

Rating Reaffirmed

Total Bank Facilities Rated	Rs. 51.25 Cr*
Long Term Rating	SMERA BB+/Stable (Reaffirmed)
Short Term Rating	SMERA A4+ (Reaffirmed)

**Refer Annexure for details*

Rating Rationale

SMERA has reaffirmed long-term rating of **'SMERA BB+' (read as SMERA double B plus)** and short term rating of **'SMERA A4+' (read as SMERA A four plus)** on the Rs. 51.25 crore bank facilities of Shiva Global Agro Industries Limited (SGAIL). The outlook is **'Stable'**. Further, SMERA has withdrawn rating from Rs. 1.25 crore of term loans with immediate effect as the facilities are fully repaid as certified by the banker.

About the rated Entity

The Maharashtra-based SGAIL, the flagship company of the Shiva Group was incorporated in 1993. Promoted by Mr. Deepak Maliwal, Director, the company is engaged in the manufacture of fertilisers.

About the Group

The Shiva Group, mainly promoted by Mr. Deepak Maliwal, Mr. Narayanlal Kalantri, Mr. Madhusudan Kalantriand and Mr. Omprakash Gilda, is engaged in the manufacture of fertilizers, seeds and extraction of soybean oil.

The Group comprises of the following subsidiaries:
Ghatprabha Fertilisers Private Limited (GFPL), incorporated in 2005 is engaged in manufacture of NPK mix fertilizers and produces bio-fertilizers and crop nutrients. SGAIL`s shareholding in the company presently is 61.53 per cent.
Shiva Paravati Poultry Feeds Private Limited (SPPF) is engaged in extraction of soyabean oil. SGAIL has 51.00 per cent shareholding in the company.

Shrinivasa Agro Foods Private Limited (SAFPL), incorporated in 2005, manufactures edible and non-edible oil and poultry feed. SGAIL has 51.00 per cent stake in the company.
Kirtiman Agro Genetics Limited (KAGL), incorporated in 2008, mainly deals in Seeds, Crop & Soil Health Products. SGAIL has 64.50% shareholding in the company.

List of key rating drivers and their detailed description:

Strengths:

Experienced management and established track record of operations: SGAIL, incorporated in 1993, is the flagship company of the Shiva Group, promoted by Mr. Deepak Maliwal and Mr. Omprakash Gilda having more than 25 years of experience in the agro industry. Due to its long track record, the company has been able to forge a lasting relationship with its customers thereby securing a place of prominence in the market.

Well-established marketing channel: Shiva Global Agro is primarily manufacturing Single Super Phosphates (SSP) and NPK Mix Fertilizers (NPK) under the brand name Trishul selling through dealer and distributor network of 250 within the state of Maharashtra with focus on the district of Vidarbha.

Healthy financial risk profile: The Shiva group has a healthy networth of Rs. 97.28 crore as on March 31, 2016 (Rs. 91.26 crore- March 31, 2015) which includes subordinated unsecured loans of Rs. 9.25 crore. The gearing (debt to equity ratio) stood at 1.03 times as on March 31, 2016 as against 1.30 times as on March 31, 2015. Total debt of Rs. 100.27 crore as on March 31, 2016 includes working capital limits of Rs. 91.62 crore and long term debt of Rs. 8.00 crore from bank.

Interest coverage ratio (ICR) was stable at 1.79 times (1.80 times in FY2015) and Debt service coverage ratio (DSCR) stood at 1.28 times in FY 2016.

Growth prospects for SSP industry: Single Super Phosphate (SSP) industry has a healthy growth prospects in India due to policy impetus to stimulate demand and improved subsidy structure. Further, SSP is one of the most popular Phosphatic fertilizers used in the world. It is agronomically suitable for dry land oil seeds as well as for other crops and is a preferred source of Phosphate for the small and marginal farmers due to its lower packs as compared to DAP and other complex fertilizers which are sold in bigger packs of higher price.

Comfortable working capital cycle: The group's working capital cycle is comfortable with debtors of 81 days (83 days for FY2015 and creditors of 59 days (40 days for FY2015) for FY 2016. Gross current assets (GCA) days stood at 116 days for FY 2016. Further, the bank limit utilization of SGAIL is in the range of ~79 per cent for six months ended April 2017.

SMERA believes, with government's scheme of Direct Benefit Transfer (expected to start from June 2017), the subsidies will directly be given to the farmers, and this is expected to improve the debtors position, and hence decrease the amount of working capital blocked by subsidies.

Diversified customer base: The group has a diversified customer base with top 10 customers contributing 29.33 per cent of total revenues in FY2017 (provisional) as compared to 21.93 per cent in FY2016.

Weakness

Uneven revenues: The revenue of the group have been uneven during the period understudy. The consolidated revenue of the group stood at Rs.464.10 cr for FY2016 Rs. 518.70 cr in FY2015 and Rs. 525.97 cr in FY2014. The group has registered revenue of Rs. 304.08 cr for April to December 2016 (provisional) as compared to Rs. 342.67 cr for same period previous year. The revenues are uneven on account of decline in sales realization of Single Super Phosphates (SSP) fertilizer couple with decrease in sales volume from 1,23,521 metric tonne in FY2015-16 to 99, 359 tonne in FY2017 and 1,33,540 metric tonne in FY 2015.

SGAIL Group`s scale of operation depends on the vagaries of nature. Adverse agro climatic conditions can impact the performance of the company. Scanty rains due to failure of monsoon may force company to hold higher inventory and also face delayed realisation.

Regulatory risk and risk of change in government policy: The fertilizer industry is highly regulated. It`s business and profitability are influenced by government policies for subsidy (NBS- Nutrient based subsidy) and pricing. Earlier, Phosphatic and Complex Fertilizers were governed under ad-hoc concession scheme of Government of India. Phosphatic fertilizers are subsidized as per extant policy guidelines. Control exercised by the government on pricing, incentive/subsidies and inadequacy of its subsidy budget, coupled with delay in release of incentive/subsidy amount may impact profitability.

Margins susceptible to volatility in raw material price: Raw cotton prices are highly volatile in nature and depend largely on factors like area under cultivation, monsoon, crop yield, international demand-supply and pricing and inventory carry forward of the previous year. Cotton being the major raw material of spinning mills, volatility in the prices of cotton impacts the profitability of the company.

Analytical approach: SMERA has considered consolidated business and financial risk profiles of SGAIL, the parent company and its four subsidiaries viz. Ghatprabha Fertilisers Private Limited (GFPL), Shiva Paravati Poultry Feeds Private Limited (SPPF), Shrinivasa Agro Foods Private Limited (SAFPL) and Kirtiman Agrogenetics Limited (KAL) together referred to as the 'Shiva Group'. These companies derive significant business synergies from each other.

Applicable Criteria

- Manufacturing Entities – https://www.smera.in/criteria-manufacturing.htm
- Application of Financial Ratios and Adjustments: https://www.smera.in/criteria-fin-ratios.htm
- Default Recognition: https://www.smera.in/criteria-default.htm

Outlook - Stable

SMERA believes that SGAIL's outlook will remain stable owing to promoters experience in the fertilizer industry. The outlook may be revised to 'Positive' if the company's scale of operations increases substantially, while maintaining its operating profitability. Conversely, the outlook may be revised to 'Negative' in case of weakening of operating margins or if financial risk profile deteriorates owing to higher-than-expected increase in debt-funded working capital requirements.

About the Rated Entity – Key Financials

For FY2015-16, SGAIL reported profit after tax (PAT) of Rs.3.45 cr on operating income of Rs.464.10 cr as compared with PAT of Rs. 4.72 cr on operating income of Rs. 518.70 cr for FY2014-15. Further, for nine months period, April 2016 to December 2016 the group registered PAT of Rs. 4.91 cr on operating income of Rs. 304.08 cr (provisional).The networth as on March 31, 2016 stood at Rs. 97.28 cr as compared to Rs. 91.26 cr as on March 31, 2015.

Status of non-cooperation with previous CRA: Not Applicable

Rating History for the last three years:

Rating History for the last three years:

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
March 22, 2016	Cash Credit	Long term	32.00	SMERA BB+/Stable (Assigned)
	Term Loan I	Long term	0.09	SMERA BB+/Stable (Assigned)
	Term Loan II	Long term	0.88	SMERA BB+/Stable (Assigned)
	Term Loan III	Long term	0.28	SMERA BB+/Stable (Assigned)
	Letter of Credit	Short term	18.00	SMERA A4+ (Assigned)

Annexure – Details of instruments rated:

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings
Cash Credit	NA	NA	NA	32.00	SMERA BB+/Stable (Reaffirmed)
Term Loan I	NA	NA	NA	-	SMERA BB+/Stable (Withdrawn)
Term Loan II	NA	NA	NA	-	SMERA BB+/Stable (Withdrawn)
Term Loan III	NA	NA	NA	-	SMERA BB+/Stable (Withdrawn)
Letter of Credit	NA	NA	NA	18.00	SMERA A4+ (Reaffirmed)
Proposed Term Loan	NA	NA	NA	1.25	SMERA BB+/Stable (Assigned)

Note on complexity levels of the rated instrument: https://www.smera.in/criteria-complexity-levels.htm

Contacts:

Analytical	Rating Desk
Vinayak Nayak, Head – Ratings Operations, SMERA Bond Ratings Tel: 022-67141190 Email: vinayak.nayak@smera.in Hina Gupta, Rating Analyst, Tel: 022-67141111 Email: hina.gupta@smera.in	Varsha Bist Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details, please visit www.smera.in.