

Press Release

Shiva Global Agro Industries Limited

August 23, 2018

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 51.25 Cr.
Long Term Rating	ACUITE BB+ / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

ACUITE has reaffirmed the long term rating of '**ACUITE BB+**' (read as **ACUITE double B minus**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 51.25 cr. bank facilities of Shiva Global Agro Industries Limited (SGAIL). The outlook is 'Stable'.

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 Kalantri 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.

Analytical Approach

Acuite 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 Agro Genetics Limited (KAL) together referred to as the 'Shiva Group'. These companies derive significant business synergies from each other.

Key Rating Drivers

Strengths

- **Long track record of operations and experienced management**

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 financial risk profile of the group is healthy marked by net worth of Rs.104.92 crore as on 31 March 2018 as against Rs.96.83 crore in the previous year. Gearing (debt-equity) stood at 0.91 times as on 31 March 2018 as against 1.05 times as on 31 March 2017. The total debt of the group of Rs.95.27 crore as on 31 March 2018 comprises of long term loan of Rs.0.17 crore, unsecured loans of Rs.9.86 crore and working capital utilisation of Rs.85.23 crore. Interest coverage ratio (ICR) stood constant at 2.16 times for FY2018. Total outside liabilities to tangible net worth (TOL/TNW) has improved to 1.39 times as on 31 March 2018 as against 1.85 times in the previous year. Debt-EBITDA stood at 3.81 times for FY2018 as against 4.09 times for FY2017.

Acuite believes the financial risk profile will remain healthy in absence of any major debt funded capex and backed by moderate net cash accruals.

- **Comfortable working capital cycle**

Shiva group's financial working capital cycle is comfortable marked by Gross Current Asset (GCA) days of 162 days for FY2018 as against 183 days in the previous year. The inventory days has increased to 100 days in FY2018 as against 83 days in the previous year. The debtor days have improved to 62 days for FY2018 from 99 days for FY2017. The average cash credit utilisation stood at ~73 per cent for last six months ending July, 2018.

Weaknesses

- **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.

Outlook: Stable

Acuite 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

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	443.86	441.55	464.10
EBITDA	Rs. Cr.	23.26	23.61	24.51
PAT	Rs. Cr.	7.44	7.25	3.45
EBITDA Margin	(%)	5.24	5.35	5.28
PAT Margin	(%)	1.68	1.64	0.74
ROCE	(%)	10.80	10.82	22.33
Total Debt/Tangible Net Worth	Times	0.91	1.05	1.23
PBDIT/Interest	Times	2.16	2.16	1.79
Total Debt/PBDIT	Times	3.81	4.09	4.25
Gross Current Assets (Days)	Days	162	183	175

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
29-May-17	Cash Credit	Long term	32.00	ACUITE BB+/Stable (Reaffirmed)
	Letter of Credit	Short Term	18.00	ACUITE A4+ (Reaffirmed)
	Term Loan I	Long term	-	ACUITE BB+/Stable (Withdrawn)
	Term Loan II	Long term	-	ACUITE BB+/Stable (Withdrawn)
	Term Loan III	Long term	-	ACUITE BB+/Stable (Withdrawn)
	Proposed Term Loan	Long term	1.25	ACUITE BB+/Stable (Assigned)
22-Mar-16	Cash Credit	Long term	32.00	ACUITE BB+/Stable (Assigned)

	Term Loan I	Long term	0.09	ACUITE BB+/Stable (Assigned)
	Term Loan II	Long term	0.88	ACUITE BB+/Stable (Assigned)
	Term Loan III	Long term	0.28	ACUITE BB+/Stable (Assigned)
	Letter of Credit	Short Term	18.00	ACUITE 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/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	32.00	ACUITE BB+/Stable (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	18.00	ACUITE A4+ (Reaffirmed)
Proposed Long Term	Not Applicable	Not Applicable	Not Applicable	1.25	ACUITE BB+/Stable (Reaffirmed)

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About Acuité Ratings & Research:

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