Press Release

Shiva Global Agro Industries Limited

October 18, 2019

Rating Upgraded

Total Bank Facilities Rated*	Rs. 51.25 Cr.
Long Term Rating	ACUITE BBB-/Outlook: Stable (Upgraded from ACUITE BB+)
Short Term Rating	ACUITE A3+ (Upgraded from ACUITE A4+)

** Refer Annexure for details*

Rating Rationale

Acuité has upgraded long-term rating to '**ACUITE BBB-**' **(read as ACUITE triple B minus)** from '**ACUITE BB+**' **(read as ACUITE double B plus)** and short-term rating to '**ACUITE A3+**' **(read as ACUITE A three plus)** from **'ACUITE A4+' (read as ACUITE A four plus)** on the Rs. 51.25 crore bank facilities of SHIVA GLOBAL AGRO INDUSTRIES LIMITED (SGAIL). The outlook is **'Stable'**.

The rating upgrade in on the account of improvement in Shiva Group's financial risk profile and working capital operations, which is expected to be sustained over the medium term. Also, there is significant divestment in Group Company. Acuité expects that the group will be able to exhibit improved operating metrics.

Maharashtra-based SGAIL was incorporated in 1993 as a flagship company of Shiva Group (SG) consisting of Ghatprabha Fertilisers Private Limited (GFPL), Shrinivasa Agro Foods Private Limited (SAFPL), Kirtiman Agro Genetics Limited (KAGL) and Shiva Paravati Poultry Feeds Private Limited (SPPFPL). SGAIL is engaged in the manufacturing of fertilizers and trading of soya seeds.

About the group:

Shiva Group is promoted by Mr. Omprakash Gilda, Mr. Narayanlal Pannalal Kalantri and Mr. Deepak Shyamsunder Maliwal. The group constitutes of the following companies: SGAIL, which was incorporated in 1993 and engaged in the manufacturing of fertilizers, GFPL incorporated in 2004 and engaged in manufacturing of NPK mix fertilizers and produces bio-fertilizers and crop nutrients, SPPFPL incorporated in 2004 and engaged in extraction of soybean crude oil and manufacturing of poultry feed at Nanded with installed capacity of 300 tons per day, SAFPL was incorporated in 2005 and engaged in the manufacturing of edible and non-edible oil and poultry feed. KAGL, incorporated in 2008, mainly deals in Seeds, Crop & Soil Health Products. However, KAGL is no more a part of Shiva Group as SGAIL has sold off its stake.

Analytical Approach

During the last rating exercise, Acuité had considered consolidated business and financial risk profiles of SGAIL, the parent company and its three subsidiaries viz. Ghatprabha Fertilisers Private Limited (GFPL), Shiva Paravati Poultry Feeds Private Limited, Shrinivasa Agro Foods Private Limited and Kirtiman Agrogenetics Limited together referred to as the 'Shiva Group'. These companies derive significant business synergies from each other. However, during 2019, Kirtiman Agro Genetics Limited has been sold off by the group and thus, has not been considered for the rating exercise. The extent of consolidation: full.

Key Rating Drivers

Strengths

- **Experienced management and long track record of operations**
  SG is promoted by Mr. Omprakash Gilda, Mr. Narayanlal Pannalal Kalantri and Mr. Deepak Shyamsunder Maliwal who are seasoned players in the fertilizer industry having an experience of around three decades. The group has an established track record with more than two decades of operations in the region of Maharashtra.

  Acuité believes that the group will continue to benefit from its established presence in the aforementioned industry and the promoter's demonstrated ability to scale up the operations across various cycles.

- **Healthy financial risk profile**

  The group's financial risk profile is healthy, marked by a healthy networth, low gearing and above average debt protection metrics.

  The networth is healthy estimated at around Rs.105.90 crores as on March 31, 2019. The networth levels have seen significant improvement over the last three years through FY 2019 on account of healthy accretion to reserves during the same period.

  The group has followed a conservative financial policy in the past, the same is reflected through its peak gearing levels of 1.05 times as on March 31, 2017. The leverage levels continue to remain low to around 0.67 times as on March 31, 2019. The group's healthy cash accruals to the tune of about Rs.9.16 crores have supported in minimizing the reliance on external debt lead to healthy gearing and debt levels of 0.67 times and Rs. 70.79 crores as on March 31, 2019. The cash accruals over the next two years through 2021 are estimated to remain in the range of Rs.14.60-16.60 crores which are comfortable to service its repayment obligations while supporting incremental working capital requirements. As a result, the gearing however is expected to moderate to around 0.60 times as on March 31, 2021 on back of healthy accretion to reserves. The NCA/TD and interest coverage ratio for FY 2019 were moderate at 0.13 times and 2.62 times, respectively.

  Acuite expects the financial risk profile to remain healthy over the medium term on account of healthy accretion to reserves.

- **Improvement in working capital operations**

  SG's working capital is efficiently managed as is reflected by its gross current asset (GCA) days of around 65 days for FY2019 as against 100 days in the previous year. The company maintains inventory levels of around 48 days. The debtor's collection period stood at 56 days as against 62 days in the previous year. Further, the creditor days stood at 18 days in FY2019. As a result, the reliance on working capital limits has reduced, leading to lower utilization of its bank lines at an average of 70 per cent over the last six months through August 2019. While the peak utilization is also moderate at around 75-80 per cent during the same period. Acuité expects the working capital management to remain efficient over the medium term on account of the Government aid provided to the group in form of subsidies and limited credit period extended to its customers.

Weaknesses

- **Vulnerability to the agro-climatic conditions and changes in regulations**

  The fertilizer industry performance is directly dependent on monsoon. Thus, fertilizer sales get negatively impacted in the years when there is drought or deficient rainfall. Further, the fertilizer industry in India is highly regulated. The fertilizer business and its profitability are largely influenced by the Government policies for subsidy and pricing. Phosphatic and Complex Fertilizers were earlier governed under ad-hoc concession scheme of GoI after decontrol in 1992. As per the extant policy, the phosphatic fertilizers are subsidized.

  The raw material prices are highly volatile in nature adversely impacting the profitability margins of the group. Further, the group is exposed to fluctuation in foreign exchange currency risk as it imports around 23 per cent of its raw material requirement from Egypt. However, as a hedging mechanism the group uses forward contracts, which limits the risk to certain extent.

Rating Sensitivity Factor

- Growth in revenue, while improvement in the profitability margins
- Expected growth in business
- Elongation of working capital operations leading deterioration in financial risk profile and liquidity

Material Covenants

None

Liquidity Position

Shiva Group has adequate liquidity marked by comfortable net cash accruals to no major maturing debt obligations. The group generated cash accruals of Rs. 9.16 crores during FY2019. The cash accruals of SG are estimated to be around Rs.14.63-18.76 crores no repayment obligations 2020-22. The cash credit limit of the group remains utilized at around 70-75 per cent during the last six month period ended August 2019. The group maintains unencumbered cash and bank balances of Rs.1.41 crore as on March 31, 2019. The current ratio of Shiva Group stood moderate at 1.75 times as on March 31, 2019. Acuité believes that the liquidity of SG is likely to remain adequate over the medium term on account of comfortable cash accruals against no repayment obligations over the medium term.

Outlook: Stable

Acuité believes that Shiva Group will maintain a 'Stable' outlook over the medium term, owing to its promoters' extensive experience in the industry, longstanding operations and strong brand presence. The outlook may be revised to 'Positive' in case the group achieves more than envisaged sales and profitability, while diversifying its revenue profile and sustains its capital structure. Conversely, the outlook may be revised to 'Negative' if there is stretch in its working capital management or larger than-expected debt-funded capex or drop in profitability while penetrating into newer territories leading to deterioration of financial risk profile and liquidity.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	499.62	443.86	441.55
EBITDA	Rs. Cr.	24.37	23.26	23.61
PAT	Rs. Cr.	6.78	7.44	7.25
EBITDA Margin	(%)	4.88	5.24	5.35
PAT Margin	(%)	1.36	1.68	1.64
ROCE	(%)	9.86	10.80	10.82
Total Debt/Tangible Net Worth	Times	0.67	0.91	1.05
PBDIT/Interest	Times	2.62	2.16	2.16
Total Debt/PBDIT	Times	3.31	3.81	4.09
Gross Current Assets (Days)	Days	125	162	183

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - https://www.acuite.in/view-rating-criteria-17.htm
- Financial Ratios And Adjustments -https://www.acuite.in/view-rating-criteria-20.htm
- Entities In Manufacturing Sector - **https://www.acuite.in/view-rating-criteria-4.htm**
- Entities In Trading Sector - https://www.acuite.in/view-rating-criteria-6.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
23-Aug-2018	Cash Credit	Long Term	32.00	ACUITE BB+/Stable (Reaffirmed)
	Letter of Credit	Short Term	18.00	ACUITE A4+ (Reaffirmed)
	Proposed Long Term	Long Term	1.25	ACUITE BB+/Stable (Reaffirmed)
29-May-2017	Cash Credit	Long Term	32.00	ACUITE BB+/Stable (Reaffirmed)
	Letter of Credit	Short Term	18.00	ACUITE A4+ (Reaffirmed)
	Proposed Term Loan	Long Term	1.25	ACUITE BB+/Stable (Assigned)
22-Mar-2016	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. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	32.00	ACUITE BBB-/Stable (Upgraded from ACUITE BB+/Stable)
Proposed Long Term	Not Applicable	Not Applicable	Not Applicable	1.25	ACUITE BBB-/Stable (Upgraded from ACUITE BB+/Stable)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	18.00	ACUITE A3+/Stable (Upgraded from A4+)

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About Acuité Ratings & Research:
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