Press Release

Shiva Global Agro Industries Limited

May 21, 2020

Rating Downgraded and Withdrawn

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Long Term Rating	ACUITE BB+ (Downgraded from ACUITE BBB-/Stable; Withdrawn)
Short Term Rating	ACUITE A4+ (Downgraded from ACUITE A3+ ; Withdrawn)

* Refer Annexure for details

Rating Rationale

ACUITE has withdrawn and downgraded the long term rating to **'ACUITE BB+' (read as ACUITE double B minus)** from **'ACUITE BBB-' (read as ACUITE triple B Minus)** and withdrawn and downgraded the short term rating to **'ACUITE A4+' (read as ACUITE A four plus)** from '**ACUITE A3+' (read as ACUITE A three plus)** on the Rs. 51.25 crore bank facilities of Shiva Global Agro Industries Limited (SGAIL). The rating is downgraded on account of information risk.

The rating is being withdrawn on account of request received from the company and NOC received from the banker.

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.

- **Comfortable working capital cycle**

SG's working capital is efficiently managed as is reflected by its gross current asset (GCA) days of around65 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.

Liquidity: Adequate

The liquidity of the company is adequate, marked by healthy net cash accruals against its debt repayments. Net cash accruals stood at Rs.9.16 Cr in FY2020 against Rs.0.04 Cr of repayment obligations corresponding to it. The GCA days stood comfortable at around 125 days as on 31st march, 2020. The current ratio stood at 1.71 times as on March 31, 2020. The Company also has unencumbered cash and bank balance of Rs.1.41 Cr as on March 31, 2020.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	499.62	443.86
PAT	Rs. Cr.	6.78	7.44
PAT Margin	(%)	1.36	1.68
Total Debt/Tangible Net Worth	Times	0.67	0.91
PBDIT/Interest	Times	2.62	2.16

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-52.htm
- Manufacturing Entities - https://www.acuite.in/view-rating-criteria-59.htm
- Financial Ratios And Adjustments - https://www.acuite.in/view-rating-criteria-53.htm

Note on complexity levels of the rated instrument
https://www.acuite.in/view-rating-criteria-55.htm

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
18-Oct-19	Cash Credit	Long term	32.00	ACUITE BBB-/Stable (Upgraded)
	Proposed Long Term Loan	Long term	1.25	ACUITE BBB-/Stable (Upgraded)
	Letter of Credit	Short Term	18.00	ACUITE A3+/Stable (Upgraded)
23-Aug-18	Cash Credit	Long term	32.00	ACUITE BB+/Stable (Reaffirmed)
	Proposed Long Term Loan	Long term	1.25	ACUITE BB+/Stable (Reaffirmed)
	Letter of Credit	Short Term	18.00	ACUITE A4+/Stable (Reaffirmed)
29-May-17	Cash Credit	Long term	32.00	ACUITE BB+/Stable (Reaffirmed)
	Proposed Long Term Loan	Long term	1.25	ACUITE BB+/Stable (Assigned)
	Letter of Credit	Short Term	18.00	ACUITE A4+/Stable (Reaffirmed)

*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 (Downgraded & Withdrawn)
Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	1.25	ACUITE BB+/Stable (Downgraded & Withdrawn)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	18.00	ACUITE A4+/Stable (Downgraded & Withdrawn)

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About Acuité Ratings & Research:
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