

Press Release

Shiva Parvati Poultry Feed Private Limited

17 August, 2017



Rating Assigned and Reaffirmed

Total Bank Facilities Rated	Rs. 45.00 crore
Long Term Rating	SMERA BB/Stable (Assigned and Reaffirmed)

* Refer Annexure for details

SMERA has reaffirmed and assigned long term rating of '**SMERA BB**' (read as **SMERA double B**) on the above bank facilities of Shiva Parvati Poultry Feed Private Limited (Shiva Parvati). The outlook is '**Stable**'.

Shiva Parvati, incorporated in 2004 is led by the Directors, Mr. Madhusudan Pannalal Kalantri, Mr. Dnyaneshwar Balkrishna Mamde and Mr. Dilip Balaji Chakkarwar. The company is engaged in the extraction of soybean crude oil and manufacturing of poultry feed at Nanded with installed capacity of 300 tons per day. The company is a subsidiary of Shiva Global Agro Industries Limited (SGAIL), engaged in the manufacturing of fertilisers, seeds and extraction of soybean oil.

List of key rating drivers and their detailed description:

Strengths

Long track record of operations and experienced management: Shiva Parvati is engaged in the extraction of soybean crude oil and poultry feed cake since 2004. The company benefits from its long track record of more than a decade. The Directors have around three decades of experience in the fertilisers and seeds industry. This has enabled the company to forge established relationships with customers and suppliers.

SMERA believes that Shiva Parvati will continue to benefit from its experienced management and synergies from being a part of Shiva Group.

Stable revenue with improvement in operating margins: The revenues of Shiva Parvati have remained stable during the period under study. Revenues stood at Rs.116.64 crore in FY2016 as against Rs.118.54 crore in FY2015. As per FY2016-17 (Provisional), revenues stood at Rs.120.02 crore. The operating margins marginally improved from 4.74 per cent in FY2015-16 to 5.11 per cent in FY2016-17 (Provisional) due to decline in raw material cost.

Weakness

Average financial risk profile with elongated working capital cycle: Shiva Parvati has average financial risk profile marked by moderate tangible networth of Rs.17.25 crore as on 31 March, 2017 (Provisional) as against Rs.16.21 crore as on 31 March, 2016. The gearing stood at 2.79 times as on 31 March, 2017 (Provisional) compared to 2.30 times as on 31 March, 2016 mainly due to higher utilisation of working capital funding. The total debt of Rs.47.97 crore as on 31 March, 2017 comprises working capital loan of Rs. 45 crore and term loan of Rs. 3.20 crore. Shiva Parvati has a moderate interest coverage ratio of 1.44 times in FY2016-17 (Provisional) as against 1.43 times in FY2015-16.

The working capital cycle has remained elongated at 187 days in FY2016-17 (154 days in FY2015-16) due to debtor days and inventory holding of 91 and 98 days respectively while creditor days is nominal at 3 days in FY2017 (Provisional). The working capital limit utilisation stood at ~74 per cent in the last six months ended April, 2017 with full utilisation during the peak season.

Going forward, the company is expected to maintain its financial risk profile in the absence of debt funded capex plan.

Intense competition and vulnerability of margins: The Indian agricultural industry is highly fragmented with several organised and unorganised players and low capital investment requirements. Also, the company is exposed to seasonality in agriculture commodities mainly soya seeds. Moreover, the profit margins of Shiva Parvati are vulnerable to fluctuations in raw material prices. The inventory holding period is high due to seasonality.

Analytical Approach

SMERA has changed the rating approach from parent notch up and considered the standalone business and financial risk profile along with on-going support from parent company to arrive at the rating.

Outlook: Stable

SMERA believes that Shiva Parvati's outlook will remain stable owing to the promoters experience in the industry. The outlook may be revised to 'Positive' if the scale of operations increases substantially, while improving its profitability. Conversely, the outlook may be revised to 'Negative' in case of weakening of profitability margins or if the company registers deterioration in its financial risk profile and elongation in working capital cycle management.

About the rated entity - key financials

For FY2016-17 (Provisional), Shiva Parvati reported profit after tax (PAT) of Rs.1.05 crore on operating income of Rs.120.02 crore, compared with net profit of Rs.0.93 crore on operating income of Rs.116.64 crore in FY2015-16. The net worth stood at Rs.17.25 crore as on 31 March, 2017 (Provisional) compared with Rs.16.21 crore a year earlier.

Applicable Criteria

- Manufacturing entities - <https://www.smerra.in/criteria-manufacturing.htm>
- Application of Financial Ratios and Adjustments: <https://www.smerra.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smerra.in/criteria-default.htm>

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
02 June, 2016	Cash Credit	Long Term	35.00	SMERA BB / Stable (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	NA	NA	NA	35.00	SMERA BB / Stable (Reaffirmed)
Warehouse Receipt	NA	NA	NA	10.00	SMERA BB / Stable (Assigned)

Contacts:

Analytical	Rating Desk
Vinayak Nayak, Head –Ratings Operations, Tel: 022-67141190 Email: vinayak.nayak@smera.in	Varsha Bist, Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in
Pawan Punmaji Rating Analyst Tel: 022-67141352 Email: pawan.punmaji@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.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.