Press Release

Shiva Parvati Poultry Feed Private Limited

January 02, 2019

Rating Reaffirmed

Total Bank Facilities Rated*	Rs.45.00 Cr.
Long Term Rating	ACUITE BB+ / Outlook: Stable

** Refer Annexure for details*

Rating Rationale

Acuité has reaffirmed its long-term rating of '**ACUITE BB+**' **(read as ACUITE BB plus)** on the Rs.45.00 crore bank facilities of Shiva Parvati Poultry Feed Private Limited (SPPL). The outlook is **'Stable'**.

Nanded based SPPL was incorporated in 2004. The company led by the Directors, Mr. Madhusudan Pannalal Kalantri, Mr. Dnyaneshwar Balkrishna Mamde and Mr. Dilip Balaji Chakkarwar is engaged in the extraction of soybean crude oil and soya bean de oiled cake. The installed capacity for refining soya bean oil is 300 tons per day and its utilization is to the tune of 50 percent. The company is a subsidiary of Shiva Global Agro Industries Limited (SGAIL), engaged in the manufacturing of fertilisers, seeds and extraction of soybean oil. SPPL sells its produce to various local players and does bulk sales to Adani Wilmar Limited, Noveltech Feeds Pvt.Ltd to name few.

Analytical Approach
Acuité has considered the standalone business and financial risk profiles of SPPL to arrive at the rating.

Key Rating Drivers

Strengths

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

SPPL 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 fertilizer and seeds industry. The promoters' extensive experience is also reflected through the healthy revenue growth over the last year through 2019. The company's revenue grew at a ~10 percent to Rs.169.40 crore in FY2019 as against Rs.153.53 crore in FY2018.
Acuité believes that Shiva Parvati will continue to benefit from its experienced management and established relationships with customers and suppliers.

- **Moderate financial risk profile**

SPPL's financial risk profile is moderate, marked by a moderate net worth, gearing and debt protection metrics. Its net worth is improved at around Rs.19.90 crores as on March 31, 2019. The net worth levels have seen improvement over the last three years through FY2019 on account of accretion to reserves during the same period. The gearing (debt-equity) ratio remain moderate at 1.52 times as on March 31, 2019. The total debt of Rs.30.15 crore as on March 31, 2019 majorly comprises of working capital borrowing of Rs.27.90 crore and unsecured loans of Rs.3.25 crore. The NCA/TD and interest coverage ratio for FY2019 were moderate at 0.08 percent and 2.23 times, respectively.
Acuité believes that the financial risk profile is likely to remain moderate in near to medium term in absence of any major debt funded capex.

- **Moderate working capital operations**

Shiva Parvati's working capital is efficiently managed as reflected by Gross current assets (GCA) at 107 days as on March 31, 2019 as against 111 days in previous year. This is mainly on accounts of low inventory holding period of 39 days as on March 31, 2019 as against 45 days in previous year. The company has debtors days of around 62 days as on March, 2019 as against 65 days in previous year. On the other hand, the company gets less credit of around 15 days from its suppliers. As a result, the reliance on working capital limits utilized is around 60 percent during the FY2019. Acuite expects the working capital management to remain efficient over the medium term on account of the lean inventory levels maintained by the company.

Weaknesses

• Thin profitability
The edible oil market is characterised by thin margin due to low value additive nature and intense competition. Margins have remained in range-bound between 3.35-4.35 percent over last three years through FY2019. The EBITDA margin of the company stood at 3.37 per cent in FY2019 over 4.35 per cent in FY2018 on account of increase in raw material prices. Net margins continued to remain in range of 0.80-1.18 percent over last three years through FY2019.

• Intense competition and agro climatic conditions
The Indian agricultural industry is highly fragmented with several organised and unorganised players and due to low entry barriers (low capital and technical requirements of business and liberal policy regime). Also, the company is exposed to seasonality in agriculture commodities mainly soya seeds. The supply for soya beans is highly dependent on the monsoon. Hence, any shortfall of rain can adversely impact the supply of agro products. Moreover, the profit margins of SPPL are vulnerable to fluctuations in raw material prices.

Rating Sensitivity
Improvement in scale of operations
Sustenance of profitability

Material Covenants
None

Liquidity Position: Adequate
Shiva Parvati has adequate liquidity marked by moderate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.1.55-2.35 crore during the last three years through 2017-19, while its maturing debt obligations were in the range of Rs.0.02 crore over the same period. The cash accruals of the company are estimated to remain around Rs.2.11-2.63 crore during 2020-22, while its repayment obligations are estimated to be nil during the same period. The company's operations are managed efficiently as marked by Gross Current Assets (GCA) of 107 days as on 31 March, 2019. The working capital borrowings remains utilized at around 60 percent during the FY2019. The current ratio of the company stood healthy at 1.55 times as on March 31, 2019. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of adequate cash accrual as against no debt repayments over the medium term.

Outlook: Stable
Acuité believes that SPPL'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

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	169.40	153.53
PAT	Rs. Cr.	1.99	1.59
PAT Margin	(%)	1.18	1.03
Total Debt/Tangible Net Worth	Times	1.52	1.75
PBDIT/Interest	Times	2.23	1.62

Status of non-cooperation with previous CRA (if applicable)
Not Applicable

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
16-Oct-2018	Cash Credit	Long Term	35.00	ACUITE BB+/ Stable (Upgraded)
	Warehouse Receipt Financing	Long Term	10.00	ACUITE BB+/ Stable (Upgraded)
17-Aug-2017	Cash Credit	Long Term	35.00	ACUITE BB/ Stable (Reaffirmed)
	Warehouse Receipt Financing	Long Term	10.00	ACUITE BB/Stable (Assigned)
02-Jun-2016	Cash Credit	Long Term	35.00	ACUITE BB/Stable (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	35.00	ACUITE BB+/ Stable (Reaffirmed)
Warehouse Receipt Financing	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BB+/ Stable (Reaffirmed)

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About Acuité Ratings & Research:
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