

Press Release

SANSKAR AGRO PROCESSORS PRIVATE LIMITED

February 09, 2018

Rating Upgraded



Total Bank Facilities Rated*	Rs. 52.00 Cr.
Long Term Rating	SMERA BB / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has upgraded the long-term rating to '**SMERA BB**' (read as **SMERA double B**) from '**SMERA BB-**' (read as **SMERA double B minus**) and reaffirmed short-term rating at '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs.52.00 crore bank facilities of Sanskar Agro Processors Private Limited (SAPPL). The outlook is 'Stable'.

SAPPL, incorporated in 2003, a Wardha (Maharashtra) - based company engaged in ginning, pressing, oil milling and spinning of yarn. The company was promoted by Pawan Ramgopal Singhania, Kailash Ramgopal Singhania and Sadhana Pawan Singhania. The ginning and spinning units are located at Waigaon, District – Wardha. The company gins and presses cotton into cotton bales, crushes seeds into seed oil and seed cakes, and makes cotton yarn, both combed and carded, for both knitting and weaving in single and double counts ranging from 20s to 60s.

Key Rating Drivers

Strengths

• Long standing track record and promoter's extensive experience in the industry

SAPPL was incorporated in 2003, thus having a track record of 15yrs in similar line of business. Mr. Pawan Singhania, Managing Director, has around three decades of experience in the textile industry. Recently promoter's son Mr. Ankit and Mr. Ayush joined the business. Both of them are engineers and having MBA from UK and Australia. Experienced management has helped the company to maintain healthy and long standing relations with the customers and suppliers.

• Comfortable working capital cycle

The company has comfortable working capital cycle of around (79) days due to quick realization from customers. Inventory days stands at 79 and debtors of 21 days as on March 31, 2017. Cash credit utilization as per the banker's feedback is around 62% utilised. Low inventory holding risk because the company procures raw materials on a continuous order backed manner. This enables to mitigate the risk of inventory losses as prices of textiles are volatile. The suppliers are local farmers hence the payment is normally on cash basis at the time of procurement.

• Moderate financial risk profile

SAPPL has moderate financial risk profile marked by moderate gearing and comfortable coverage indicators. The company's gearing (debt to equity) ratio stood at 1.92 times as on March 31, 2017 as compared to 2.21 times as on March 31, 2016.

Interest coverage stood at 3.11 times and DSCR at 1.11 times ending FY2017 compared to interest coverage of 2.41 times and DSCR of 1.69 times ending FY2016. DSCR was impacted due to high repayments for the term loans. Total debt of Rs. 46.65 crore includes working capital borrowings of Rs. 23.22 crore and term

loan of Rs. 23.43 crore as on March 31, 2017.

Weaknesses

• Susceptible to fluctuations in cotton prices and government regulations

Raw cotton prices are highly volatile in nature and are largely depend on factors like area under cultivation, crop yield, international demand-supply scenario, export quota decided by the government 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.

• Intense competition in the textile industry

The company is exposed to intense competition in the highly fragmented Indian textile industry from organised and unorganised players. The competition is limited in the premium segment which constitutes around 80 per cent of the group's overall product portfolio. The competition in the lower count segment is largely on pricing owing to the presence of unorganised players.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of SAPPL to arrive at the rating.

Outlook: Stable

SMERA believes that the outlook of the SAPPL will remain stable over the medium term on account of healthy revenue visibility. Outlook will be revised to positive if firm able to increase scale of operations while maintaining healthy profitability. On the contrary; the outlook will be revised to negative in a scenario of decline in the scale of operations resulting into decline in the revenues affecting margins and liquidity.

About the Project

Not Applicable

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	135.37	92.23	90.16
EBITDA	Rs. Cr.	12.10	5.76	5.38
PAT	Rs. Cr.	0.74	2.08	1.16
EBITDA Margin	(%)	8.94	6.25	5.96
PAT Margin	(%)	0.55	2.26	1.28
ROCE	(%)	7.60	6.07	9.60
Total Debt/Tangible Net Worth	Times	1.92	2.21	1.89
PBDIT/Interest	Times	3.11	2.41	2.30
Total Debt/PBDIT	Times	3.71	8.12	5.12
Gross Current Assets (Days)	Days	116	139	113

Status of non-cooperation with previous CRA (if applicable): ICRA- Nov 15, 2017

"ICRA has moved the rating of Sanskar Agro Processors Private .Limited to the 'ISSUER NOT COOPERATING' category due to non submission of monthly 'No Default Statement' ("NDS") by the entity. ICRA has been consistently following up with Sanskar Agro Processors Private .Limited for obtaining the monthly 'No Default Statement' and had also placed the ratings under review due to non submission of NDS in the month of October, 2017. However the entity's management has remained non-cooperative. ICRA is unable to validate whether Sanskar Agro Processors Private .Limited has been able to meet its debt servicing obligations in a timely manner. Accordingly the lenders, investors and other market participants are advised to exercise appropriate caution while using this rating."

Any other information

Not Applicable

Applicable Criteria

- Default Recognition-<https://www.smera.in/criteria-default.htm>
- Manufacturing Entities-<https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios and Adjustments-<https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Facilities	Amount (Rs. Crore)	Ratings		Rating Outlook
			Long Term	Short Term	
20 October, 2016	Cash Credit	17.50	SMERA BB-(Assigned)	-	Stable
	Term Loan	33.00	SMERA BB-(Assigned)	-	Stable
	Bank Guarantee	1.50	-	SMERA 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	21.00	SMERA BB/ Stable
Term Loan	Not Applicable	Not Applicable	Not Applicable	29.50	SMERA BB/ Stable
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	1.50	SMERA A4+

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ABOUT SMERA

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