

Press Release

Sanskars Agro Processors Private Limited

September 18, 2018



Rating Downgraded

Total Bank Facilities Rated*	Rs. 52.00 Cr.
Long Term Rating	ACUITE D (Downgraded from ACUITE BB /Stable)
Short Term Rating	ACUITE D (Downgraded from ACUITE A4+)

* Refer Annexure for details

Rating Rationale

Acuité has downgraded the long-term rating to '**ACUITE D** (read as **ACUITE D**) from '**ACUITE BB (read as ACUITE double B)**' and short term rating to '**ACUITE D** (read as **ACUITE D**) from '**ACUITE A4+ (read as ACUITE A four plus)**' to the Rs.52.00 crore bank facilities of Sanskar Agro Processors Private Limited (SAPPL).

SAPPL, incorporated in 2003, is a Maharashtra-based company engaged in ginning, pressing, spinning of cotton yarn and oil milling. The company was promoted by Mr. Pawan Ramgopal Singhania, Mr. Kailash Ramgopal Singhania and Mrs. Sadhana Pawan Singhania. The ginning and spinning units are located at Waigaon, Wardha. The company increased its installed capacity of spindles from 14000 to 30000 in February 2016.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of Sanskar Agro Processors Private Limited to arrive at the rating.

Key Rating Drivers:

Strengths

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

SAPPL was incorporated in 2003, thus the company has a track record of around 15 years in this line of business. Mr. Pawan Singhania (Managing Director) has around three decades of experience in the textile industry. Recently the promoter's sons, Mr. Ankit and Mr. Ayush joined the business. Experienced management has helped the company to maintain healthy and long standing relations with the customers and suppliers.

- **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 1.56 times as on March 31, 2018 (Provisional) as compared to 1.92 times as on March 31, 2017. Interest coverage stood at 3.33 times and DSCR at 1.45 times ending FY2018 compared to 3.11 times and 1.11 times ending FY2017. Total debt of Rs.44.55 crore includes working capital borrowings of Rs.25.24 crore and term loan of Rs.19.30 crore as on March 31, 2018 (Provisional).

Weaknesses

- **Moderate working capital cycle**

The company has moderate working capital cycle marked by GCA of around 144 days as on 31 March, 2018 (Provisional) as compared to 116 days as on 31 March, 2017. The high GCA days are dominated by high amount of around Rs 6.52 crore receivable from government authorities. The company has low inventory holding risk because the company procures raw materials mostly against confirmed orders. 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.

- **Delays in debt servicing**

There have been instances of delay in interest payments and principal repayments due to which penal interest is scrutinized in term loan account statements. Also, the account was SMA 0 in current year.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	136.54	135.37	92.23
EBITDA	Rs. Cr.	12.44	12.10	5.76
PAT	Rs. Cr.	2.09	0.74	2.08
EBITDA Margin	(%)	9.11	8.94	6.25
PAT Margin	(%)	1.53	0.55	2.26
ROCE	(%)	9.53	7.60	6.07
Total Debt/Tangible Net Worth	Times	1.56	1.92	2.21
PBDIT/Interest	Times	3.33	3.11	2.41
Total Debt/PBDIT	Times	3.56	3.71	8.12
Gross Current Assets (Days)	Days	144	116	139

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.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
09-Feb-2018	Cash Credit	Long Term	21.00	ACUITE BB / Stable (Upgraded from BB-/Stable)
	Term Loan	Long Term	29.50	ACUITE BB / Stable (Upgraded from BB-/Stable)
	Bank Guarantee	Short Term	1.50	ACUITE A4+ (Reaffirmed)
20-Oct-2016	Cash Credit	Long Term	17.50	ACUITE BB- / Stable (Assigned)
	Term Loan	Long Term	33.00	ACUITE BB- / Stable (Assigned)
	Bank Guarantee	Short Term	1.50	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	23.50	ACUITE D (Downgraded from BB)
Term loans	Not Applicable	Not Applicable	Not Applicable	27.00	ACUITE D (Downgraded from BB)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE D (Downgraded from A4+)

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About Acuité Ratings & Research:

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