

Press Release

Sanskar Agro Processors Private Limited

October 24, 2018

Rating Upgraded



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

* Refer Annexure for details

Rating Rationale

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

The upgrade is on account of regular account conduct and sufficient balances in cash credit accounts to serve the annual debt repayment obligation. As per banker's feedback, the delays in servicing debt obligation was attributed to technical reasons, as a result of which the standing instructions for debit of instalment were not executed.

SAPPL, incorporated in 2003, a Wardha (Maharashtra) based company is 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 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. The company increased its installed capacity of spindles from 14000 to 30000 in February 2016.

Analytical Approach

Acuite 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 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 Ratio (ICR) stood at 3.33 times and DSCR at 1.45 times ending FY2018 compared to ICR of 3.11 times and DSCR of 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.

Weaknesses

- Moderate working capital cycle

The company has moderate working capital cycle marked by Gross Current Assets (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.

- Susceptible to fluctuations in cotton prices and government regulations

Raw cotton prices are highly volatile in nature and are largely depend on factors such as 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.

Outlook: Stable

Acuite believes that the outlook of the SAPPL will remain 'Stable' over the medium term on account of healthy revenue visibility. The outlook may be revised to 'Positive' if company is able to increase the scale of operations while maintaining healthy profitability. On the contrary, the outlook may 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 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	(%)	9.35	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
18-Sep-2018	Cash Credit	Long Term	23.50	ACUITE D (Downgraded from ACUITE BB/Stable)
	Term Loan	Long Term	27.00	ACUITE D (Downgraded from ACUITE BB/Stable)
	Bank Guarantee	Short Term	1.50	ACUITE D (Downgraded from ACUITE A4+)
09-Feb-2018	Cash Credit	Long Term	21.00	ACUITE BB / Stable (Upgraded from ACUITE BB-/Stable)
	Term Loan	Long Term	29.50	ACUITE BB / Stable (Upgraded from ACUITE 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 BB/ Stable (Upgraded from ACUITE D)
Term loans	Not Applicable	Not Applicable	Not Applicable	19.30	ACUITE BB/ Stable (Upgraded from ACUITE D)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE A4+ (Upgraded from ACUITE D)
Proposed	Not Applicable	Not Applicable	Not Applicable	7.70	ACUITE BB/ Stable (Assigned)

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About Acuite Ratings & Research:

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