

Press Release

Shah Nanji Nagsi Exports Private Limited

11 Sept, 2017



Rating Assigned

Total Bank Facilities Rated*	Rs. 60.00 Cr
Long Term Rating	SMERA BB/Stable (Assigned)
Short Term Rating	SMERA A4+ (Assigned)

*Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB**' (**read as SMERA double B**) and short-term rating of '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs. 60.00 crore bank facilities of Shah Nanji Nagsi Exports Private Limited (SNNEPL). The outlook is '**Stable**'.

SNNEPL established in 1919 by the Late Mr. Nagsi Hirji Shah at Nagpur is engaged in the trading and export of non-basmati rice, peas, corn, pulses, lentils and other food grains. The company sells non-basmati rice under the brand name - Nanji's, Shah, Chop & Chop, Zainab and popcorn under the name 'SNN Popcorn'. The products are exported to South Africa, Benin, USA, Ukraine, Djibouti, UAE, Singapore among others.

The company also has a rice and cereal processing plant in Nagpur, Maharashtra with installed capacity of 50,000 metric tonnes per annum. The warehouses are located at Mumbai and Mundra while purchase offices are at Chhattisgarh and Kolkata.

List of key rating drivers and their detailed description

Strengths:

Established track record of operations and experienced management

SNNEPL is engaged in the trading and exporting of agro- commodities. The established market presence of the company has helped develop long term relations with customers and suppliers. Further, the Directors, Mr. Sudhir Shah and Mr. Ashwin Shah have more than four decades of experience in the industry.

Improvement in revenue

The company reported operating income of Rs. 342.42 crore for FY2017 as against Rs. 261.09 crore in the previous year, registering a growth of 31.15 percent in export sales of non-basmati rice mainly to South Africa and other African countries in FY2017 as against the previous year. Going forward, SMERA expects the company to achieve moderate growth in revenue on account of continuous addition to its customer base.

Moderate financial risk profile

The company has moderate financial risk profile marked by tangible networth of Rs. 17.17 crore as on 31 March, 2017 as against Rs.15.13 crore in the previous year. The gearing stood at 2.73 times as on 31 March, 2017 as against 2.34 times in the previous year. The interest coverage ratio (ICR) stood at 1.87 times for FY2017 as against 1.53 times in FY2016. The total liabilities to tangible networth (TOL/TNW)

stood at 3.01 times as on 31 March, 2017 as against 3.11 times in the previous year. Further, SMERA expects the company to maintain its moderate financial risk profile in the absence of major debt funded capex plan.

Weaknesses

Low profit margins

The company has low profit margins with EBITDA margin of 2.32 percent for FY2017 as against 2.42 percent in FY2016. The low margins are on account of low value additive business. However, going forward SMERA expects the margins to improve marginally on account of decline in the purchase cost of popcorn under the Duty Free Import Authorization (DFIA) Scheme. Further, the company plans to expand its branded products further to retail consumers and packaging of pulses and cereals.

Geopolitical risk of exporting countries

SNNEPL is exposed to geographical concentration risk as exports to South Africa and Benin constituted around 66 percent in FY2016-17. Hence, the credit risk profile is exposed to adverse changes in trade regulations and geopolitical situations in these countries.

Exposure to volatility in commodity prices

The company is exposed to volatility in prices on account of uncertain agro-climatic conditions. Further, the company is exposed to foreign exchange fluctuation risk as it derived around 80 percent revenue for FY2016-17 from exports to South Africa, Benin, USA, Ukraine, Djibouti, UAE, Singapore, Oman among others. However, the foreign exchange fluctuation risk is mitigated as the company covers its entire foreign exchange exposure under the forward cover.

Highly fragmented and competitive industry

SNNEPL operates in a highly fragmented and competitive agro-commodity industry on account of low entry barriers.

Analytical approach: SMERA has considered the standalone business and financial risk profiles of the company for arriving at the rating

Applicable Criteria

Trading Entities-<https://www.smera.in/criteria-trading.htm>

Default Recognition - <https://www.smera.in/criteria-default.htm>

Application of Financial Ratios and Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Outlook: Stable

SMERA believes that SNNEPL will maintain a stable outlook over the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case SNNEPL is able to achieve significant growth in revenue while achieving improvement in profitability, capital structure and liquidity. The outlook may be revised to 'Negative' in case the company registers decline in revenue or significant deterioration in profitability or liquidity profile.

About the Rated Entity -Key Financials

For FY2016-17, SNNEPL reported Profit after Tax (PAT) of Rs. 2.12 crore on operating income of Rs. 342.42 crore as against PAT of Rs. 0.90 crore on operating income of Rs. 261.09 in the previous year. The net worth stood at Rs. 17.17 crore as on 31 March, 2017 as against Rs.15.13 crore in the previous year.

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

Any other information: Not Applicable

Rating History for the last three years: Not Applicable

***Annexure - Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term Loan	N.A	N.A	N.A.	1.50	SMERA BB/Stable (Assigned)
Packing Credit	N.A	N.A	N.A.	58.50	SMERA A4+ (Assigned)

Note on complexity levels of the rated instrument:

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

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ABOUT SMERA

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