

Press Release

Shah Nanji Nagsi Exports Private Limited

October 14, 2020



Rating Withdrawn

Total Bank Facilities Rated*	Rs.60.00 Cr.
Long Term Rating	ACUITE BB (Withdrawn)
Short Term Rating	ACUITE A4+ (Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuité has reviewed and withdrawn the long-term rating of '**ACUITE BB**' (**read as ACUITE double B**) and the short-term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs.60.00 crore bank facilities of Shah Nanji Nagsi Exports Private Limited. The rating withdrawal is in accordance with Acuité's policy on withdrawal of rating.

The rating is being withdrawn on account of request received from the company and NOC received from the banker.

About the Company

SNNE was established in 1919 as proprietorship concern under the name of Shah Nanji Nagsi Exports by Late Mr. Nagsi Hirji Shah at Nagpur (Maharashtra). Subsequently, in 1997, the company was reconstituted as private limited under the present name. The company is engaged in export and trading of non-basmati rice, peas, corn, pulses, lentils and other food grains. The company sells the non-basmati rice under the brand name 'Nanji's', 'Shah', 'Chop & Chop', 'Zainab' and Popcorn under the name 'SNN Popcorn'. The day to day operations are managed by the third and fourth generation of the Shah family and is headed by Mr. Sudhir Shah (director) and Mr. Ashwin Shah (director).

Analytical Approach

Acuité has taken the standalone view of the business and financial risk profile of SNNE to arrive at the rating.

Key Rating Drivers

Strengths

- **Extensive track record of operations and industry experience of the promoters**

SNNE has an extensive track record of operations from 1919. The day to day operations are managed by the third and fourth generation of the Shah family and is headed by Mr. Sudhir Shah (director) and Mr. Ashwin Shah (director) who has experience of over three decades in the wholesale trading industry. The long track record of the management has helped the company develop healthy relations with suppliers and expand their operations in various countries such as South Africa, Benin, USA, Ukraine, Djibouti, UAE, Singapore, Oman, Bahrain, Saudi, Belize, Ethiopia, France, Portugal, Netherland and some other African countries.

Acuité believes that the company will continue to benefit from its experienced management and established relationships with customers and suppliers.

- **Healthy revenues growth and profitability**

The revenues increased to Rs.412.99 crore in FY2020 from Rs.386.98 crore in FY2019. This is majorly because of the increase in volume of sales of non-basmati rice. The operating margins of the company stood at 2.51 percent in FY2020 as against 2.53 percent in the previous year. The net margins improved to 0.72 percent in FY2020 from 0.28 percent in FY2019. This is majorly because of the reduction in interest cost.

Acuité believes that the scale of operations are expected to increase in FY2021 backed by revenues of ~Rs.250.00 crore for the period April, 2020 to August, 2020.

- **Comfortable working capital operations**

The company's working capital operations are comfortable marked by low Gross Current Asset (GCA) days of 65 in FY2020 as against 62 in the previous year. The debtor days stood at 32 for FY2020 as against 38 in the previous year. Inventory days stood at 24 for FY2020 as against 5 in the previous year. Further, the average cash credit utilisation stood at around 17.50 percent for last eight months ending September, 2020.

Acuité believes that working capital operations will remain comfortable in the near medium term due to the trading nature of the business.

Weaknesses

- **Average financial risk profile**

SNNE has average financial risk profile with moderate net worth, high gearing and moderate debt protection metrics. The net worth stood moderate at Rs.22.50 crore as on 31 March, 2020 as against Rs.19.61 crore as on 31 March, 2019. This includes quasi equity of Rs.0.61 crore. The gearing (debt-equity) stood high at 2.44 times as on March 31, 2020 as against 2.80 times as on March 31, 2019. Total debt of Rs.54.86 crore consists of unsecured loans of Rs.0.40 crore and working capital facility of Rs.54.46 crore. Total outside Liabilities/Tangible Net Worth (TOL/TNW) ratio stood at 2.79 times as on March 31, 2020 as against 2.89 times as on March 31, 2019. Interest Coverage Ratio (ICR) stood at 1.97 times in FY2020 as against 1.28 times in FY2019. Net cash accrual/Total debt (NCA/TD) stood at 0.08 times in FY2020 as against 0.03 times in FY2019.

Rating Sensitivities

Not Applicable

Material Covenants

None

Liquidity: Adequate

SNNE has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.4.21 in FY2020, Rs.1.64 crore in FY2019 and Rs.1.55 crore in FY2018, while its maturing debt obligation was nil for the same period. The company's working capital operations are comfortable as marked by low gross current asset (GCA) days of 65 in FY2020. Further, the reliance on working capital borrowings is low, the cash credit limit in the company remains utilised at around 17.50 percent during the last 8 months' period ended September, 2020. The company maintains unencumbered cash and bank balances of Rs.2.40 crore as on March 31, 2020. The current ratio of the company stood at 1.20 times as on March 31, 2020.

Acuité believes that the liquidity position of the company will remain adequate in near to medium term marked by healthy net cash accruals, no long term borrowing obligation and no debt-funded capex.

Outlook

Not Applicable

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	412.99	386.98
PAT	Rs. Cr.	2.98	1.07
PAT Margin	(%)	0.72	0.28
Total Debt/Tangible Net Worth	Times	2.53	2.93
PBDIT/Interest	Times	1.97	1.28

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios and Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
26-Dec-2019	Term Loan	Long Term	1.50	ACUITE BB/ Stable (Indicative)
	Packing Credit	Short Term	58.50	ACUITE A4+ (Indicative)
28-Sept-2018	Term Loan	Long Term	1.50	ACUITE BB/ Stable (Indicative)
	Packing Credit	Short Term	58.50	ACUITE A4+ (Indicative)
11-Sept-2017	Term Loan	Long Term	1.50	ACUITE BB/ Stable (Assigned)
	Packing Credit	Short Term	58.50	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
Term Loan*	Not Available	Not Applicable	Not Available	1.50	ACUITE BB (Withdrawn)
Packing Credit	Not Applicable	Not Applicable	Not Applicable	58.50	ACUITE A4+ (Withdrawn)

* bank sanctioned term loan of around Rs.1.50 crore. However, company did not availed it.

Contacts

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About Acuité Ratings & Research:

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