Press Release

Stagot Potatoes Product LLP

November 27, 2020

Rating Reaffirmed

Total Bank Facilities Rated*	Rs.9.99 Cr.
Long Term Rating	ACUITE B+/Outlook: Stable (Reaffirmed)

** Refer Annexure for details*

Rating Rationale

Acuité has reaffirmed the long term rating of **'ACUITE B+' (read as ACUITE B plus)** on the Rs.9.99 crore bank facilities of Stagot Potatoes Product LLP (SPPL). The outlook is **'Stable'**.

About the Company

Stagot Potatoes Product LLP is a partnership firm, established in 2015. The firm is promoted by Mr. Bharat Chelabhai Gothi, Mr. Prakash Davabhai Patel and Mr. Harshad Shivram Patel. The firm is engaged in the manufacturing of native potato starch, which has applications in different industries such as Food, Pharma, Adhesives, Textiles, Paper, among others. The manufacturing unit is located at Palanpur Taluka, North Gujarat and has an installed capacity of 7200 metric tonnes.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of Stagot Potatoes Product LLP to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management and proximity to raw materials**

  SPPL is a partnership firm, established in 2015. The promoters, Mr. Bharat Chelabhai Gothi, Mr. Prakash Davabhai Patel and Mr. Harshad Shivram Patel, have an experience of over 2 decades in the industry. The manufacturing unit of the firm is located at Palanpur taluka in North Gujarat, which is one of the major potato producing and processing hubs in India.

  Acuité believes that SPPL will continue to benefit over the medium term from the extensive experience of the partners and from proximity to raw materials.

Weaknesses

- **Moderate financial risk profile**

  The financial risk profile of the firm is marked by low net worth, modest gearing (debt-equity) and debt protection metrics. The tangible net worth of the firm stood at Rs.4.47 crore as on 31 March, 2020 (Provisional) as compared to Rs.3.25 crore as on 31 March, 2019. The total debt of the firm as on 31 March, 2020 (Provisional) stood at Rs.9.63 crore, which includes long term debt of Rs.5.78 crore, unsecured loans from promoter of Rs.1.29 crore and short term debt of Rs.2.56 crore. The gearing (debt-equity) stood moderate at 2.16 times as on 31 March, 2020 (Provisional) as against 2.99 times as on 31 March, 2019. Interest Coverage Ratio stood at 4.63 times for FY2020 (provisional) as against 4.92 times for FY2019. Total Outside Liabilities/Total Net Worth (TOL/TNW) also stood modest at 3.27 times as on 31 March, 2020 (Provisional) as compared to 4.09 times on 31 March, 2019. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.24 times for FY2020 (Provisional). Debt Service Coverage Ratio (DSCR) stood at 1.72 times in FY2020 (Provisional) as against 1.70 times in FY2019.

  Acuité believes that the financial risk profile is expected to improve, however, remain average on account of low net worth and intensive working capital.

- **Working capital Intensive nature of operations**
  The firm operates in a working capital intensive nature of operations marked by high Gross Current Assets (GCA) days of 220 days in FY2020 (Provisional) and 198 days in FY2019. The increase in GCA is majorly on account of increase in receivable days to 92 days for FY2020 (Provisional) as against 65 days for FY2019. Further, the inventory days stood at 105 days in FY2020 (Provisional) from 145 days in FY2019. The average bank limit utilisation remained fully utilised for the past six months ending October 2020.
  Acuité believes that efficient working capital management will be crucial to the firm in order to maintain a stable credit profile.

- **Risk of capital withdrawal**
  SPPL is exposed to the risk of capital withdrawal considering its partnership constitution. Any significant withdrawal from the partner's capital will have a negative bearing on the financial risk profile of the firm.

Rating Sensitivities

- Improvement in financial risk profile.
- Any further elongation of the working capital cycle

Material Covenants

None

Liquidity Position: Stretched

SPPL has stretched liquidity marked by moderate net cash accruals and high bank limit utilisation. The firm has generated cash accruals of Rs.2.20-2.35 crore during the last three years through 2018-20, while its maturing debt obligations were in the range of Rs.1.08-1.35 crore over the same period. The working capital cycle of the firm is intensive, marked by Gross Current Assets (GCA) days of 220 days in FY2020 (Provisional) as against 198 days in FY2019. The average bank limit utilisation stood fully utilised for the past eight months ending October 2020. The firm maintained unencumbered cash and bank balances of Rs.1.59 crore as on March 31, 2020 (Provisional). The current ratio of SPPL stood at 1.25 times as on March 31, 2020 (Provisional). Acuité believes that the liquidity of SPPL is likely to remain stretched over the medium term.

Outlook: Stable

Acuité believes that SPPL will maintain a 'Stable' outlook over the medium term backed by its promoter's extensive experience and long track record of operations. The outlook may be revised to 'Positive' in case of a significant improvement in its revenues along with improvement in profitability and capital structure. Conversely, the outlook may be revised to 'Negative' if there is any further stretch in its working capital cycle leading to the deterioration of financial risk profile and liquidity.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	18.03	13.78
PAT	Rs. Cr.	1.22	1.10
PAT Margin	(%)	6.79	7.97
Total Debt/Tangible Net Worth	Times	2.16	2.99
PBDIT/Interest	Times	4.63	4.92

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

Not Applicable

Any other information
None

Applicable Criteria
- Default Recognition: https://www.acuite.in/view-rating-criteria-52.htm
- Manufacturing Entities - https://www.acuite.in/view-rating-criteria-59.htm
- Financial Ratios And Adjustments: https://www.acuite.in/view-rating-criteria-53.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
03-Sept-2019	Cash Credit	Long Term	2.44	ACUITE B+/Stable (Upgraded)
	Term Loan	Long Term	7.55	ACUITE B+/Stable (Upgraded)
15-June-2018	Cash Credit	Long Term	2.44	ACUITE B/Stable (Assigned)
	Term Loan	Long Term	7.55	ACUITE B/Stable (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	2.90 (Enhanced from Rs.2.44 Cr)	ACUITE B+/Stable (Reaffirmed)
Term Loan	Dec-2017	9.95	Dec-2024	4.54	ACUITE B+/Stable (Reaffirmed)
Term Loan	Oct-2019	12.00	Oct-2024	1.17	ACUITE B+/Stable (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.38	ACUITE B+/Stable (Reaffirmed)

Contacts

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About Acuité Ratings & Research:
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