

Press Release

Shine Agrotechnology Private Limited

September 10, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 30.00 Cr.
Long Term Rating	ACUITE BB+ / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) to the Rs. 30.00 crore bank facilities of SHINE AGROTECHNOLOGY PRIVATE LIMITED (SAPL). The outlook is '**Stable**'.

The Mumbai based, Shine Agrotechnology Private Limited was incorporated in 2014 by Mr. Balan M Thevar. The company is engaged in farm produce and trading of agro products such as rice, polished and semi-polished tur dal, pulses, oil cake, de-oil cake, roasted grams, fruits among others. The company is also engaged in dairy farming. SAPL owns land of 123 acres in Tirunelveli district of Tamil Nadu.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of SAPL to arrive at the rating.

Key Rating Drivers:

Strengths

• Healthy growth in scale of operations

The company is founded by Mr. Balan M Thevar (Director) having an experience of over a decade in the agro industry. The promoters, Mr. Balan M Thevar and Mr. Pusparaj Thiagaraj are second generation agriculturists from Tamil Nadu with a land bank of 123 acres under the company's name.

SAPL commenced its operations with agriculture activities from August 2014, thereby reporting revenue of Rs.3.01 crore in FY2015 which has grown to Rs.236.20 crore in FY2018 (Provisional). The company has reported revenues of Rs.174.81 crore in FY2017 and Rs. 53.54 crore in FY2016. The growth is derived from trading of agricultural commodities which contributed 97 percent of the total income in FY2018 (Provisional).

Acuite believes that SAPL's business risk profile will be supported by promoters' extensive experience in the industry along with strong asset position to carry out its agricultural operations.

• Efficient working capital management

SAPL has efficiently managed its working capital as reflected in Gross Current Assets (GCA) of 71 days in FY2018 (Provisional) as against 59 days in FY2017 and 169 days in FY2016. This is mainly on account of debtors of 54 days in FY2018 (Provisional) as against 38 days in FY2017. The company has inventory of 15 days in FY2018 (Provisional) as against 19 days in FY2017. Further, the company has net cash accruals of Rs.5.23 crore in FY2018 (Provisional) against repayment obligation of Rs. 0.16 crore.

Acuite believes that the company's ability to maintain its working capital efficiently will remain a key to maintain stable credit profile.

• Comfortable financial risk profile

SAPL's financial risk profile is comfortable marked by net worth of Rs.30.41 crore as on 31 March, 2018 (Provisional) as against Rs.25.83 crore as on 31 March, 2017. The gearing stood at 0.77 times as on 31 March, 2018 (Provisional) as against 0.46 times as on 31 March, 2017. The total debt of Rs.23.29 crore as on 31 March, 2018 (Provisional) mainly comprises of Rs.1.17 crore of term loan and Rs.22.12 crore of working capital borrowings. The company has moderate interest coverage ratio (ICR) of 4.67 times for

FY2018 (Provisional) as against 7.50 times for FY2017. The net cash accruals increased to Rs.5.23 crore in FY2018 (Provisional) from Rs.4.27 crore in FY2017.

Weaknesses

• Business risk profile exposed to customer concentration and agro climatic risks:

SAPL's business risk profile is exposed to customer concentration risk as more than 55 percent of the trading revenue is generated from a single major customer - K.P.R. Agrochem Limited. This is likely to impact the business risk profile of the company. The company generates revenues from agricultural activities along with trading of agro commodities like maize, rice, wheat and pulses among others. In the past, climate variability and climate extremes have already had impact on agricultural production systems. This makes the company's business and financial risk profile susceptible to agro climatic risks.

Acuite believes that the company's ability to reduce customer concentration will remain critical to maintain stable business risk profile.

• Thin margins from trading segment:

The operating margins (EBITDA) stood at 3.03 percent in FY2018 (Provisional) from 3.04 percent in FY2017. The Profit after tax margins (PAT) stood at 1.94 percent in FY2018 (Provisional) from 2.11 percent in FY2017. Majority of the profitability is contributed by core agricultural activity and the profitability from trading activities is observed to be marginal.

• Highly competitive and fragmented industry

The agro processing industry is highly competitive and fragmented with several organised and unorganised players. The intense competition and low value addition in the agro processing industry results in low operating margins.

Outlook: Stable

Acuite believes SAPL will maintain a 'Stable' outlook over the medium term on account of healthy business and financial risk profile. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues while improving profitability along with improved financial risk profile. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability or in case of deterioration in the financial risk profile or significant elongation in working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	236.20	174.81	53.54
EBITDA	Rs. Cr.	7.17	5.31	2.46
PAT	Rs. Cr.	4.58	3.68	2.06
EBITDA Margin	(%)	3.03	3.04	4.60
PAT Margin	(%)	1.94	2.11	3.84
ROCE	(%)	14.26	14.55	14.61
Total Debt/Tangible Net Worth	Times	0.77	0.46	0.23
PBDIT/Interest	Times	4.67	7.50	129.61
Total Debt/PBDIT	Times	3.25	2.22	2.09
Gross Current Assets (Days)	Days	71	59	169

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

None

Any other information

Not Applicable

Note on complexity levels of the rated instrument

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

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Rating History (Upto 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. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	17.50	ACUITE BB+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.98	ACUITE BB+ / Stable
Overdraft	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BB+ / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A4+
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.52	ACUITE BB+ / Stable

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About Acuite Ratings & Research:

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