Press Release

Shine Agrotechnology Private Limited

October 27, 2020

Rating Reaffirmed

Total Bank Facilities Rated*	Rs.30.00 Cr.
Long Term Rating	ACUITE BBB-/Outlook: Stable (Reaffirmed)
Short Term Rating	ACUITE A3 (Reaffirmed)

** Refer Annexure for details*

Rating Rationale

Acuité has reaffirmed the long term rating of **'ACUITE BBB-' (read as ACUITE triple B minus)** and the short term rating of **'ACUITE A3' (read as ACUITE A three)** on the Rs.30.00 crore bank facilities of Shine Agrotechnology Private Limited (SAPL). The outlook is **'Stable'**.

About Company

SAPL is a Mumbai based company incorporated in 2014 and is promoted 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, and fruits, among others. SAPL owns the land of 180 acres in Tirunelveli district of Tamil Nadu.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of CIPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management**

  SAPL is a Mumbai based company incorporated in 2014 and founded by Mr. Balan M Thevar. The promoters Mr. Balan M Thevar and Mr. Anand Mani have an experience of over a decade in the agro industry and are second generation agriculturists from Tamil Nadu with a land of 180 acres in the company's name.

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

- **Moderate financial risk profile**

  The financial risk profile of the company is marked by moderate net worth, low gearing (debt-equity) and moderate debt protection metrics. The tangible net worth of the company stood at Rs.42.30 crore (includes quasi equity of Rs.8.46 crore) as on 31 March, 2020 (Provisional) as compared to Rs.35.76 crore (includes quasi equity of Rs.8.44 crore) as on 31 March, 2019. The total debt of the company as on 31 March, 2020 (Provisional) stood at Rs.34.26 crore, which includes long term borrowing of Rs.0.71 crore and short term borrowing of Rs.33.56 crore. The gearing (debt-equity) stood low at 0.81 times as on 31 March, 2020 (Provisional) as well as on 31 March, 2019. Interest Coverage Ratio stood comfortable at 3.49 times for FY2020 (provisional) as against 3.63 times for FY2019. Total Outside Liabilities/Total Net Worth (TOL/TNW) also stood at 1.35 times as on 31 March, 2020 (Provisional) as compared to 1.46 times on 31 March, 2019. Net Cash Accruals to Total Debt (NCA/TD) stood low at 0.21 times for FY2020 (Provisional). Debt Service Coverage Ratio (DSCR) stood at 3.16 times in FY2020 (Provisional) as against 3.22 times in FY2019.

  Acuité believes that the financial risk profile of SAPL will continue to remain moderate over the medium term on account of funding support from promoters and conservative financial policy.

Weaknesses

- **Intensive working capital operations**
  The company has moderately intensive working capital operations marked by high Gross Current Assets (GCA) days of 112 days in FY2020 (Provisional) and 100 days in FY2019. The increase in GCA is majorly on account of increase in receivable days to 96 days for FY2020 (Provisional) as against 84 days for FY2019. The inventory days stood to 14 days in FY2020 (Provisional) as well as in FY2019. The average bank limit utilisation stood low at ~99.00 percent for the past eight months ending September 2020. Acuité believes that efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

- **Thin margins from trading segment**
  The operating margins (EBIDTA) stood at 3.92 percent in FY2020 (Provisional) from 3.38 percent in FY2019. The Profit after tax margins (PAT) stood at 2.33 percent in FY2020 (Provisional) from 1.95 percent in FY2019. 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 have resulted in low operating margins.

Rating Sensitivities

- Sustaining existing scale of operations while maintaining profitability.
- Any further elongation of the working capital cycle

Material Covenants

- Maintain quasi equity of Rs.8.44 crore

Liquidity Position: Adequate

SAPL has adequate liquidity profile marked by net cash accruals which stood at Rs.7.33 crore in FY2020 (Provisional) and Rs.6.20 crore in FY2019. The repayment obligation during the same period stood in the range of Rs.0.15 - 0.20 crore, giving the company adequate cushion to meet its repayment obligations for the same period. The company operations are marked by moderately intensive Gross Current Asset (GCA) days of 112 days in FY2019 and 100 days in FY2018. However, the bank limits remained full utilised at about 99 per cent for the last six months ending September, 2020, reflecting high dependence on bank borrowing to fund its working capital requirement. The current ratio stood at 1.52 times as on 31 March 2019. SAPL maintained unencumbered cash and bank balances of Rs.0.58 crore as on March 31, 2020 (Provisional). Acuité believes that the liquidity of SAPL is likely to remain adequate over the medium term on account of growing cash accruals.

Outlook: Stable

Acuité believes that SAPL will maintain a stable outlook over the medium term owing to its experienced management, 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 company's financial risk profile or significant elongation in the working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	280.70	273.82
PAT	Rs. Cr.	6.53	5.34
PAT Margin	(%)	2.33	1.95
Total Debt/Tangible Net Worth	Times	0.81	0.81
PBDIT/Interest	Times	3.49	3.63

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

None

Any other information

None.

Applicable Criteria

- Default Recognition: https://www.acuite.in/view-rating-criteria-52.htm
- Trading Entities: https://www.acuite.in/view-rating-criteria-61.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
01-Aug-2019	Cash Credit	Long Term	17.50	ACUITE BBB-/Stable (Upgraded)
	Term Loan	Long Term	2.00	ACUITE BBB-/Stable (Upgraded)
	Overdraft	Long Term	5.00	ACUITE BBB-/Stable (Upgraded)
	Letter of Credit	Short Term	5.00	ACUITE A3 (Upgraded)
	Proposed Bank Facility	Long Term	0.50	ACUITE BBB-/Stable (Upgraded)
04-July-2019	Cash Credit	Long Term	17.50	ACUITE BB+/Stable (Reaffirmed)
	Term Loan	Long Term	2.00	ACUITE BB+/Stable (Reaffirmed)
	Overdraft	Long Term	5.00	ACUITE BB+/Stable (Reaffirmed)
	Letter of Credit	Short Term	5.00	ACUITE A4+ (Reaffirmed)
	Proposed Bank Facility	Long Term	0.50	ACUITE BB+/Stable (Reaffirmed)
10-Sept-2018	Cash Credit	Long Term	17.50	ACUITE BB+/Stable (Assigned)
	Term Loan	Long Term	0.98	ACUITE BB+/Stable (Assigned)
	Overdraft	Long Term	5.00	ACUITE BB+/Stable (Assigned)
	Letter of Credit	Short Term	5.00	ACUITE A4+

				(Assigned)
	Proposed Bank Facility	Long Term	1.52	ACUITE BB+/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	18.00	ACUITE BBB-/Stable (Reaffirmed)
Term Loan	24-Jan-2020	9.50	24-Jan-2026	2.00	ACUITE BBB-/Stable (Reaffirmed)
Overdraft	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BBB-/Stable (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A3 (Reaffirmed)

 # ILC/FLC of Rs.10.00 crore is a sublimit of CC.

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About Acuité Ratings & Research:
Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 8,380 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.