

Press Release

Shine Agrotechnology Private Limited

December 23, 2021



Rating Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Ratings	5.00		ACUITE A3+ Upgraded
Bank Ratings	25.00	ACUITE BBB Stable Upgraded	
Total	30.00	-	-

*Refer annexure for details

Rating Rationale

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

Rationale for Rating Upgrade

The rating reflects the comfort drawn from SAPL's established track record of operations, extensive experience of the promoters, and a comfortable financial risk profile marked by low gearing levels. The rating also considers the Y-O-Y improvement in the operating income. The rating is, however, constrained by the thin margins from trading segment and presence of the company in a highly competitive and fragmented industry.

About the 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 SAPL 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.

>Comfortable financial risk profile

The financial risk profile of the company stood marked by comfortable healthy net worth, comfortable coverage indicators, and low gearing. The net worth of the company improved and stood at Rs. 41.80 crore as on 31 March 2021 (Provisional) as against Rs. 33.85 crore as on 31 March 2020 on account of healthy accretion in reserves. The company has followed a moderate financial policy in the past, the same is also reflected through its low gearing levels. The gearing level (debt equity) stood at 1.11 times as on 31 March 2021 (Provisional) as against 1.26 times as on 31 March 2020. The interest coverage ratio (ICR) stood at 3.64 times as on 31 March 2021 (Provisional) as well as on 31 March 2020. Debt service coverage ratio (DSCR) stood at 3.32 times on 31 March 2021 (Provisional) as against 3.28 times as on 31 March 2020. Total outside liabilities to Tangible net worth (TOL/TNW) ratio stood moderate at 1.55 times in FY2021 (Provisional) as against 1.94 times in FY2020. 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 operations of SAPL are moderately working capital intensive marked by Gross Current Assets (GCA) of 109 days in FY2021 (Provisional) as against 111 days in FY2020. The receivables days also stood at 88 days as on 31 March 2021 (Provisional) and 96 as on 31 March 2020. The inventory holding days stood at 15 days as on 31 March 2021 (Provisional) as against 14 days as on 31 March 2020. Further, the average cash credit limit utilization stood at around 56 percent during the last six months as on 30th November 2021.

>Thin margins from trading segment

The operating margins (EBIDTA) stood at 4.16 percent in FY2021 (Provisional) from 3.86 percent in FY2020. The Profit after tax margins (PAT) stood at 2.58 percent in FY2021 (Provisional) from 2.33 percent in FY2020. 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

None

Liquidity Position: Adequate

SAPL has adequate liquidity profile marked by net cash accruals which stood at Rs.8.71 crore in FY2021 (Provisional) and Rs.7.33 crore in FY2020. The repayment obligation during the same period stood in the range of Rs.0.16-0.61 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 109 days in FY2021 and 111 days in FY2020. However, the bank limits remained utilised at about 57 per cent for the last six months ending November, 2021. The current ratio stood at 1.79 times as on 31 March 2021. SAPL maintained unencumbered cash and bank balances of Rs.3.36 crore as on March 31, 2021 (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.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	308.30	280.72
PAT	Rs. Cr.	7.95	6.53
PAT Margin	(%)	2.58	2.33
Total Debt/Tangible Net Worth	Times	1.11	1.26
PBDIT/Interest	Times	3.64	3.64

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 Entity: <https://www.acuite.in/view-rating-criteria-61.htm>
- Application Of 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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
27 Oct 2020	Secured Overdraft	Long Term	5.00	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	18.00	ACUITE BBB- Stable (Reaffirmed)
	Letter of Credit	Short Term	5.00	ACUITE A3 (Reaffirmed)
	Term Loan	Long Term	2.00	ACUITE BBB- Stable (Reaffirmed)
01 Aug 2019	Dropline Overdraft	Long Term	5.00	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
	Proposed Bank Facility	Long Term	0.50	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
	Letter of Credit	Short Term	5.00	ACUITE A3 (Upgraded from ACUITE A4+)
	Term Loan	Long Term	2.00	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
	Cash Credit	Long Term	17.50	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
	Cash Credit	Long Term	17.50	ACUITE BB+ Stable (Reaffirmed)
	Letter of Credit	Short Term	5.00	ACUITE A4+ (Reaffirmed)

04 Jul 2019	Dropline Overdraft	Long Term	5.00	ACUITE BB+ Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	0.50	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	2.00	ACUITE BB+ Stable (Reaffirmed)
10 Sep 2018	Cash Credit	Long Term	17.50	ACUITE BB+ Stable (Assigned)
	Term Loan	Long Term	0.98	ACUITE BB+ Stable (Assigned)
	Secured 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

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Axis Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	18.00	ACUITE BBB Stable Upgraded (from ACUITE BBB-)
CSB Bank Limited	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE BBB Stable Upgraded (from ACUITE BBB-)
Axis Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A3+ Upgraded (from ACUITE A3)

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About Acuité Ratings & Research

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