

## Press Release

### Shine Agrotechnology Private Limited

March 09, 2023



### Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	40.00	ACUITE BBB   Stable   Reaffirmed	-
Bank Loan Ratings	5.00	-	ACUITE A3+   Reaffirmed
<b>Total Outstanding Quantum (Rs. Cr)</b>	45.00	-	-

### Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) and short-term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) on Rs 45 Cr bank facilities of Shine Agrotechnology Private Limited (SAPL). The outlook remains '**Stable**'.

### Rationale for Rating Reaffirmation

The rating continues to derive comfort from SAPL's established track record of operations, extensive experience of the promoters and a healthy financial risk profile marked by low gearing levels and moderate working capital operations. The rating also factors in the stable operating income of the company over the years. The rating is, however, constrained by the higher reliance on bank borrowing with an average utilization of more than 90% in last 9 months ended December 2022. Further, thin margins from trading segment and presence of the company in a highly competitive and fragmented industry offset the above mentioned strengths.

### About the Company

Incorporated in 2014, Shine Agrotechnology Private Limited is promoted by Mr. Balan M. Thevar. The company is engaged in farm produce and trading of agro products such as rice, polished and semipolished tur dal, pulses, oil cake, de-oil cake, roasted grams, and fruits among others. The Company is into core agricultural operations since incorporation. Currently it is having yields of 5.00 Crores with 300 acres of land holding in which cultivated area of 180 acres is fully owned by the company, located in Tirunelveli dist. of Tamil Nadu. The major agricultural products are Banana, Amla, Lemon, Coconut, Mango and Seasonal fruits and Vegetables such as, Brinjal, Ash Gourd, Pumpkin, Watermelon and Tapioca. The company is also into trading of agro commodity business and the products dealt with includes Rice, polished and semi polished Toor Dal and Pulses, Oil Cake, De-Oil Cake, Roasted Grams, Nachni Powder, Fruits, Garlic And Ginger. Selling & sourcing of trading products in Mumbai, Gulbarga, Udhgir, Madurai and parts of Gujarat & Maharashtra. The company also exports its trading products to Middleeast & African Countries and in Singapore and Malaysia. The company exports various products such as fresh fruits-vegetables, grams pulses, fresh coconut, processed desiccated coconut, onions, potato, animal feed, maize, millets and frozen fish products.

## 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 & establish track record

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. Currently, the company is working with a capacity of 3 tonnes per hour with an average capacity utilization of more than 60%. Further, the company is in process developing a processing unit for grams and pulses with a capacity of 40tonnes/day. The extensive experience of promoter is also reflected through stable operating income with a revenue of Rs 349.74 Cr in FY2022 as against Rs 308.30 Cr in FY 2021 and Rs 280.72 Cr in FY 2020. Further, the company has already recorded a revenue of Rs 315 Cr till December 2022.

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

##### Healthy financial risk profile

The financial risk profile of the company stood healthy marked by healthy net worth, comfortable coverage indicators, and low gearing. The net worth of the company improved and stood at Rs. 50.93 crore as on 31 March 2022 as against Rs. 41.80 crore as on 31 March 2021 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 1.03 times as on 31 March 2022 as against 1.11 times as on 31 March 2021. The interest coverage ratio (ICR) stood at 3.09 times as on 31 March 2022 as against 3.64 times as on 31 March 2021. Debt service coverage ratio (DSCR) stood at 2.62 times on 31 March 2022 as against 3.32 times as on 31 March 2021. Total outside liabilities to Tangible net worth (TOL/TNW) ratio stood moderate at 1.30 times in FY2022 as against 1.55 times in FY2021.

Acuité believes that the financial risk profile of SAPL will continue to remain healthy over the medium term on account of funding support from promoters and conservative financial policy with no major debt-funded capex plans.

##### Moderate working capital operations

The operations of SAPL are working capital moderate in nature marked by Gross Current Assets (GCA) days of 100 days in FY 2022 as against 109 days in FY 2021. The receivables days stood at 83 days as on 31 March 2022 and 88 as on 31 March 2021 which is in line with the average credit period allowed to customers of 90 days. The inventory holding days stood at 13 days as on 31 March 2022 as against 15 days as on 31 March 2021. The creditor days of the company stood at 15 days in FY22 as against 22 days in FY21.

Acuite believes that working capital operations of the SAPL may continue to remain moderate with timely receipt from receivables and considering the nature of business.

#### Weaknesses

##### Thin margins from trading segment

The operating margins (EBIDTA) stood at 4.26% in FY22 from 4.16% in FY21. The Profit after tax margins (PAT) stood at 2.61% in FY22 from 2.58% in FY21. 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 elongation of the working capital cycle leading to stretch in liquidity

### Material covenants

None

### Liquidity Position

#### Adequate

SAPL has adequate liquidity profile marked by net cash accruals which stood at Rs.9.39 crore in FY22 and Rs.8.71 crore in FY2021. The repayment obligation during the same period stood in the range of Rs.0.61- 1.47 crore, giving the company adequate cushion to meet its repayment obligations for the same period. The company is expected to generate a sufficient cash accruals in medium term to repay its maturing debt obligation. The company operations are marked by Gross Current Asset (GCA) days of 100 days in FY22 and 109 days in FY21. However, the bank limits remained utilised at about 93.16% for the last 9 months ended December, 2022 making the SAPL more reliable on bank finance. The current ratio stood at 1.89 times as on 31 March 2022. SAPL maintained unencumbered cash and bank balances of Rs.0.66 crore as on March 31, 2022.

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 and comfortable 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.

### Other Factors affecting Rating

None

### Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	349.74	308.30
PAT	Rs. Cr.	9.13	7.95
PAT Margin	(%)	2.61	2.58
Total Debt/Tangible Net Worth	Times	1.03	1.11
PBDIT/Interest	Times	3.09	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>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in)

### Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
02 Mar 2022	Letter of Credit	Short Term	5.00	ACUITE A3+ (Reaffirmed)
	Cash Credit	Long Term	18.00	ACUITE BBB   Stable (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE BBB   Stable (Assigned)
	Cash Credit	Long Term	7.00	ACUITE BBB   Stable (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE BBB   Stable (Assigned)
23 Dec 2021	Cash Credit	Long Term	7.00	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Letter of Credit	Short Term	5.00	ACUITE A3+ (Upgraded from ACUITE A3)
	Cash Credit	Long Term	18.00	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
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)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Axis Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	20.00	ACUITE BBB   Stable   Reaffirmed
Axis Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	20.00	ACUITE BBB   Stable   Reaffirmed
Axis Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE A3+   Reaffirmed

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, Mumbai.

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