



Press Release
Shine Agrotechnology Private Limited
March 30, 2024
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
Total Outstanding Quantum (Rs. Cr)	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 is reaffirmed based on stable operating and financial performance of the company. The company reported turnover of Rs.443.50 Cr. as on FY2023 as against Rs.349.74 Cr. in FY2022 reporting growth of 26.81 percent in FY2023. Further, SAPL has maintain its operating margin in the range of 4.33 - 4.16 percent ending FY2023 -21.

The financial risk profile of the company is moderate with low gearing level and moderate debt protection metrics. The gearing level stood at 0.84 times as on 31 March 2023 as against 1.03 times as on 31 March 2022. The ICR stood at 3.73 times as on 31 March 2023 and DSCR stood at 2.79 times as on 31 March 2023.

Further, the rating continues to derive comfort from SAPL's established track record of operations and extensive experience of the promoters and moderately efficient working capital operations. The rating is, however, constrained by the higher reliance on bank borrowing with an average utilization of more than 90% in last 12 months ended December 2023. 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, trading and processing 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 Middle east & 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. Further, the company has set-up processing facility for Grams & Pulses unit in FY2022.

Unsupported Rating

Not Applicable

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 & established 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. Further, the company is in process developing a processing unit for grams and pulses with a capacity of 40 tonnes/day and with final phase on construction is expecting to increase its capacity to 80 tonnes / day.

The extensive experience of promoter is also reflected through improving operating income with a revenue of Rs.443.50 Cr. in FY2023 as against Rs.349.74 Cr. in FY2022 reporting growth of 26.81 percent in FY2023. Further, the company has already recorded a revenue of Rs 380 Cr. till 9MFY2024. The EBITDA margins remains stable over the years and stood at 4.33% in FY2023 as against 4.26% in FY2022. The PAT margin of the company stood at 2.85 percent in FY2023 as against 2.61 percent in FY2022. The ROCE of the company improving YoY and stood at 16.81 percent in FY2023.

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.

Moderate financial risk profile

The financial risk profile of the company stood moderate marked by healthy net worth, moderate coverage indicators, and low gearing. The adjusted net worth of the company stood at Rs.63.55 Cr. as on 31 March 2023 as against Rs.50.93 Cr. as on 31 March 2022 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 ratios. The gearing (debt equity) stood at 0.84 times as on 31st March 2023 as against 1.03 times as on 31 March 2022. The total debt stood at Rs.53.58 Cr. as on 31 March 2023, includes short term debt of Rs.38.34 Cr. long term debt of Rs.4.86 Cr. USL from directors of Rs.8.42 Cr. and current maturities of long-term debt of Rs.1.96 Cr.

Total Outside Liabilities/Tangible Net Worth (TOL/TNW) is moderately improving YoY and stood at 1.22 times as on 31 March 2023 as against 1.30 times as on 31 March 2022. Furthermore, the Debt/EBITDA improved significantly and stood at 2.79 times as on 31 March 2023 as against 3.51 times as on 31 March 2022.

The debt protection metrics of the company is moderate with interest coverage ratio (ICR) stood at 3.73 times in FY2023 as against 3.09 times in FY2022. Debt service coverage ratio (DSCR) stood at 2.79 times in FY2023 as compared with 2.62 times in FY2022. Net Cash accruals/Total debt (NCA/TD) improved and stood at 0.25 times in FY2023 as against 0.18 times in FY2022.

Acuité believes that the financial risk profile of SAPL will improve over the medium term as there is no further debt funded CAPEX and minimal long term debt.

Moderately efficient working capital operations.

The working capital operations of SAPL are moderately efficient marked by Gross Current Assets (GCA) of 93 days as on 31 March 2023 as compared with 100 days as on 31 March 2022. The gross current assets majorly consist of debtors. The receivables days improved marginally and stood at 78 days in as on 31 March 2023 as compared with 83 days as on 31 March which is line with the average credit period allowed to customers of 90 days. The inventory holding days stood at 12 days as on 31 March 2023 as compared with 13 days

as on 31 March 2022. The creditor days of the company stood at 20 days as on 31 March 2023 as compared with 15 days as on 31 March 2022.

However, the working capital limits are highly utilised with average bank limit utilisation stood at 95.3% for the last 12 months ending December 2023.

Acuite believes the working capital operations of the company will continue in the same level owing to the nature of business operations.

Weaknesses

Thin margins from trading segment

The operating margins (EBIDTA) stood at 4.33% in FY2023 from 4.26% in FY2022. The Profit after tax margins (PAT) stood at 2.85% in FY2023 from 2.61% in FY22. Majority of the profitability is contributed by core agricultural activity and the profitability from trading activities is observed to be marginal. With set-up of processing facility, the company is expected to improve its operating margin over the medium term.

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 margins.
- Elongation of the working capital cycle leading to stretch in liquidity.

Liquidity Position: Adequate

SAPL has adequate liquidity profile marked by net cash accruals which stood at Rs.13.30 crore in FY2023 against the maturing debt obligation of Rs.1.47 Cr. during the same period. Further the company is expected to generate net cash accruals in the range of Rs.18.66 Cr. – 30.93 Cr. in medium term against the maturing debt obligation of Rs.1.96 Cr. – 2.74 Cr. during the same tenure.

The current ratio stood at 1.77 times as on 31 March 2023. Further, cash and cash equivalents of the company stood at Rs.1.01 Cr. as on 31 March 2023.

Acuite believes the company will maintain adequate liquidity position over the medium term backed by adequate cash accruals as against the repayment obligations.

Outlook: Stable

Acuite believes that SAPL will maintain a 'Stable' outlook over the medium term owing to its experienced management and improving 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 efficient working capital operations. 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 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	443.50	349.74
PAT	Rs. Cr.	12.62	9.13
PAT Margin	(%)	2.85	2.61
Total Debt/Tangible Net Worth	Times	0.84	1.03
PBDIT/Interest	Times	3.73	3.09

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>
- Trading Entitie: <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

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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
09 Mar 2023	Cash Credit	Long Term	20.00	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	20.00	ACUITE BBB Stable (Reaffirmed)
	Letter of Credit	Short Term	5.00	ACUITE A3+ (Reaffirmed)
02 Mar 2022	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)
	Letter of Credit	Short Term	5.00	ACUITE A3+ (Reaffirmed)
23 Dec 2021	Cash Credit	Long Term	7.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Cash Credit	Long Term	18.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Letter of Credit	Short Term	5.00	ACUITE A3+ (Upgraded from ACUITE A3)

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 avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	20.00	ACUITE BBB Stable Reaffirmed
Axis Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	20.00	ACUITE BBB Stable Reaffirmed
Axis Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE A3+ Reaffirmed

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in
Thejaswini P V Senior Analyst-Rating Operations Tel: 022-49294065 thejaswini.pv@acuite.in	

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.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité. Please visit <https://www.acuite.in/faqs.htm> to refer FAQs on Credit Rating.