

Press Release

Shinghal Agri Industries Private Limited

March 29, 2019



Rating Assigned

Total Bank Facilities Rated*	Rs. 13.26 Cr.
Long Term Rating	ACUITE B- / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B-**' (**read as ACUITE B minus**) and short term rating of '**ACUITE A4**' (**read as ACUITE A four**) to the Rs. 13.26 crore bank facilities of Shinghal Agri Industries Private Limited (SAIPL). The outlook is '**Stable**'.

Incorporated in 2013- SAIPL is Odisha based company engaged into custom milling of paddy for Government of Odisha. In addition the company is also engaged in processing of parboiled rice. The company was promoted by Mr. Mukesh Kumar Dhandhania and Mr. Sachin Kumar Agarwal.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of SAIPL to arrive at this rating.

Key Rating Drivers

Strengths

- **Experienced management**

The promoters of SAIPL Mr. Mukesh Kumar Dhandhania and Mr. Sachin Kumar Agarwal have more than five years of experience in rice milling business.

- **Proximity to raw materials**

The manufacturing facility of SAIPL is located in Mayurbhanj, Odisha which is one of the major rice producing area in Eastern India given the area has ample production of rice. The proximity to raw materials helps the company in get easy availability of paddy and also keeps the inward freight costs under control.

Weaknesses

- **Average financial Risk Profile**

The average financial risk profile is marked by low net worth, high gearing and moderate debt protection measures. The net worth of the company improved to Rs.3.30 crore as on 31 March, 2018 as against Rs.3.24 crore in the previous year. Gearing (Debt-equity) stood high at 3.94 times as on March 31, 2018 as compare to 4.30 times in the previous year. The debt protection metrics is moderate reflected from interest coverage ratio of 1.75 times in FY2018 as against 1.51 times in FY2017.

- **Modest scale of operations**

The scale of operation is modest reflected from the annual turnover of Rs 6.76 crore in FY 2018 as against Rs 6.37 crore in FY2017. Till January 2019 the company has booked revenue of Rs 13.02 crore (prov). Going forward, Acuité expects improvement in topline on account of recent allocation of 1,36,570 quintal of paddy for custom milling by Government of Odisha.

• **Agro climatic risks and Tender based nature of business**

Paddy which is the main raw material required for rice is a seasonal crop and the production of the same is highly dependent upon monsoon season. Thus inadequate rainfall may affect the availability of paddy in adverse weather conditions. Also the revenue of the company is dependent on the quantum of tenders received from the government as the company is doing job works for Government of Odisha.

Liquidity:

The company has stretched liquidity profile marked by net cash accruals in the range of ~ Rs.0.84 crore during FY 2018) crore against its Rs 1.35 crore debt obligations during the same period. Acuite notices that the promoters bring in unsecured loan to support the liquidity. The fund based working capital limit remains utilised at ~ 90 per cent level on an average.

Outlook: Stable

Acuité believes that outlook for SAIPL will remain 'stable' over medium term on the account of experienced management. The outlook may be revised to 'positive' if the company improves its liquidity position and registers growth in revenues along with improvement in financial risk profile, and it could be revised to 'negative' on account of continuous stretched in liquidity position or dip in revenue or deterioration in financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	6.76	6.37	5.02
EBITDA	Rs. Cr.	1.93	2.32	1.07
PAT	Rs. Cr.	0.05	0.04	(1.02)
EBITDA Margin	(%)	28.54	36.46	21.31
PAT Margin	(%)	0.79	0.66	(20.28)
ROCE	(%)	7.02	9.95	6.41
Total Debt/Tangible Net Worth	Times	3.94	4.30	4.91
PBDIT/Interest	Times	1.75	1.51	0.93
Total Debt/PBDIT	Times	6.62	5.70	9.47
Gross Current Assets (Days)	Days	319	341	178

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

CARE vide its press release dated 16 March, 2018 has mentioned the rating of SAIPL to 'CARE B/Stable/A4' Issuer not cooperating.

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.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	1.00	ACUITE B- / Stable
Term Loan	Not Applicable	Not Applicable	Not Applicable	7.80	ACUITE B- / Stable
Working Capital Term Loan	Not Applicable	Not Applicable	Not Applicable	2.80	ACUITE B- / Stable
Funded Interest Term Loan	Not Applicable	Not Applicable	Not Applicable	0.66	ACUITE B- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A4

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About Acuité Ratings & Research:

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