Press Release

Shinghal Agri Industries Private Limited

May 22, 2020

Rating Upgraded

Total Bank Facilities Rated	Rs.13.26 crore
Long Term Rating	ACUITE B/Stable (Upgraded from ACUITE B-/Stable)
Short Term Rating	ACUITE A4 (Reaffirmed)

 # Refer Annexure for details

Rating Rationale

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

Reason for upgrade

The rating upgrade is on account of significant improvement in top-line of the company driven bysteady demand for rice and its byproductsalong withbetter capacity utilization. The operating income of the company has increased to Rs.17.91 crs in FY2020 (provisional) from Rs.6.76 crs in FY2018 and it had been operating at around 32 per cent capacity in FY2018, which increased to around 46 per cent for FY2020.

Shinghal Agri Industries Private Limited(SAIPL),an Odisha based company was incorporated in the year 2013 and promoted by Mr. Mukesh Kumar Dhandhania and Mr. Sachin Kumar Agarwal. The company is mainly engaged into custom and open milling of paddy and processing of parboiled rice.Apart from this the company also sells the by-products of rice especially rice bran to various customers.

Analytical Approach

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

Key Rating Drivers

Strengths

• Experienced management

The company's promoters have an experience of more than seven years in the rice milling industry. Acuité believes that the extensive experience of the management has enabled the group to maintain healthy relationships with their key customers and suppliers which will help in efficient management of this entity.

• Improvement in scale of operations

SAIPL has reported healthy revenue growth with compounded annual growth rate (CAGR) of 38.37 per cent during the last three years ended FY2020.The operating income of the company has increased to Rs.17.91 crs in FY2020 (provisional) from Rs.6.76 crs in FY2018).The growth in the company's revenues is driven by increase in exports from open milling of the paddy.The share of exports of their total revenue has increased from 50 per cent in FY2019 to 73 per cent in FY2020.Acuité expects the scale of operations of the company to improvesteadily over the medium term backed by the steady demand for their products.

Weaknesses

- **Working capital intensive operations**

The company's operations are working capital intensive in nature reflected by high gross current asset (GCA) of about 214 days in FY2019 as compared to 319 days in FY2018 as the debtor days increased from 62 days in FY2018 to 148 days in FY2019 mainly on account of less sales realization from exports in FY2019. Even, the debtor days stood at 190 days in FY2020 (Provisional).The inventory days decreased to 58 days in FY2019 from 126 days in FY2018.The bank limits of the company are utilized around 96 per cent for the 12 months ended March 2020. Acuité expects the operations of the company to remain working capital intensive on account of extended credit period offered to acquire new customers and expand its sales to new geographies.

- **Below average financial risk profile**

The company's below average financial risk profile is marked by low net worth, high gearing and weak debt protection metrics. The net worth of the company stood at Rs.3.44 crores as on March 31,2019. The company has high gearing at 3.72 times as on March 31, 2019 as against 3.94 times as on March 31, 2018. The debt of Rs.12.81 crores mainly consists of long term debt of Rs.6.80 crores, short term debt of Rs.1.50 crores, unsecured loan of Rs.2.33 crores and maturing obligation of Rs. 2.17 crores as on March 31,2019. The weak debt protection metrics of the company is marked by Interest Coverage Ratio at 1.84 times as on FY2019 as against 1.73 times as on FY2018. Debt Service Coverage Ratio stood at 0.86 times as on FY2019 as compared to 1.05 times as on FY2018 and Net Cash Accruals to total Debt (NCA/TD) stood at 0.07 times for FY 2019 as compared to 0.06 times for FY 2018.The firm has executed capexof around Rs.0.65 crore which is funded from unsecured loan in FY2020.Acuité believes that the financial profile of the company is expected to remain same over the medium term.

Rating Sensitivity

- Improvement in working capital management
- Improvement in financial risk profile

Material Covenants

No

Liquidity position: Stretched

The company has stretched liquidity profile marked by net cash accruals of Rs. 0.93 crore in FY 2019 against its Rs. 2.17 crores maturing debt obligations during the same period.Acuiténotices that the promoters bring in unsecured loan to support the liquidity.The current ratio stood at 1.35 times as on March 31, 2019. The unencumbered cash and bank balances of the company stood at Rs.0.20 crore as on March 31, 2019.The company's working capital intensive operations as reflected by Gross Current Assets (GCA) of 214 days in FY2019 as against 319 days in FY2018 and even the bank limits are utilized around 96 per cent for the 12 months ended March 2020. Acuité believes that the liquidity of the company would remain same on account of low cash accruals and working capital intensive operations.

Outlook: Stable

Acuite believes that SAIPL will benefit from the extensive experience of the promoters and improved scale of operations . The outlook may be revised to 'Positive' if the company significantly scales up its operations while improving its profitability and working capital management. Conversely, the outlook may be revised to 'Negative' if SAIPL's financial risk profile, particularly its liquidity, weakens most likely because of a substantial increase in its working capital requirements, or a decline in its cash accruals, or large debt-funded capital expenditure.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18(Actual)
Operating Income	Rs. Cr.	16.12	6.76
PAT	Rs. Cr.	0.14	0.06
PAT Margin	(%)	0.89	0.85
Total Debt/Tangible Net Worth	Times	3.72	3.94
PBDIT/Interest	Times	1.84	1.73

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

CARE vide its press release dated 10th April, 2019 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/view-rating-criteria-52.htm
- Manufacturing Entities -https://www.acuite.in/view-rating-criteria-59.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
29-Mar-2019	Cash Credit	Long Term	1.00	ACUITE B-/Stable (Assigned)
	Term Loan	Long Term	7.80	ACUITE B-/Stable (Assigned)
	Working Capital Term Loan	Long Term	2.80	ACUITE B-/Stable (Assigned)
	Funded Interest Term Loan	Long Term	0.66	ACUITE B-/Stable (Assigned)
	Bank Guarantee	Short Term	1.00	ACUITE A4 (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE B/Stable (Upgraded from ACUITE B-/Stable)
Term Loan	Not Applicable	Not Applicable	Not Applicable	7.80	ACUITE B/Stable (Upgraded from ACUITE B-/Stable)
Working Capital Term Loan	Not Applicable	Not Applicable	Not Applicable	2.80	ACUITE B/Stable (Upgraded from ACUITE B-/Stable)
Funded Interest Term Loan	Not Applicable	Not Applicable	Not Applicable	0.66	ACUITE B/Stable (Upgraded from ACUITE B-/Stable)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A4 (Reaffirmed)

Contacts

Analytical	Rating Desk
Pooja Ghosh Head-Corporate and Infrastructure Sector Ratings Tel: 033-66201203 pooja.ghosh@acuite.in Shubham Ghosh Analyst - Rating Operations Tel: 033-66201212 pallavi.meher@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile ACUITE Ratings 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 6,000 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.