

Press Release

Shinghal Agri Industries Private Limited

March 01, 2023

Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	13.26	ACUITE B+ Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	13.26	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) on the Rs.13.26 Cr bank facilities of Shinghal Agri Industries Private Limited (SAIPL). The outlook remains '**Stable**'.

Rating Rationale

The rating factors the experienced management, the long track record of operations and the moderate financial risk of the company. These strengths, are however, offset by the working capital intensive nature of operations of the company and the modest scale of operations coupled with fluctuating profitability margins.

About the Company

Incorporated in 2013, Shinghal Agri Industries Private Limited (SAIPL) is based in Odisha and is engaged in the custom and open milling of paddy and processing of parboiled rice. The company is managed by Mr. Mukesh Kumar Dhandhanika. SAIPL also trades the by-products of rice especially rice bran, non-edible rice and rice husk briquettes to various customers. The company is ISO 22000:2005 certified and is registered with Export Inspection Agency (EIA) and Food Safety Standard Authority of India (FSSAI).

Analytical Approach

Acuite has considered the standalone business and financial risk profile of SAIPL while arriving at the rating.

Key Rating Drivers

Strengths

Experienced promoters and long track record of operations

SAIPL has been operating for over a decade in the food processing business and is aided by the decade long experience of the key promoter Mr. Mukesh Kumar Dhandhanika. Acuite derives comfort from the experienced management and long track record of operations of the company.

Moderate financial risk profile

The company's moderate financial risk profile is marked by weak albeit improving network,

and healthy debt protection metrics, constrained by high gearing. The tangible net worth of the company improved to Rs.4.59 Cr as on March 31, 2022 from Rs.4.07 Cr as on March 31, 2021 due to accretion of reserves. Gearing of the company stood high at 2.63 as on March 31, 2022 as compared to 2.79 as on March 31, 2021. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 4.89 times as on 31st March, 2022 as against 4.63 times as on 31st March, 2021. The healthy debt protection metrics of the company is marked by Interest Coverage Ratio at 2.38 times as on 31st March, 2022, however, the Debt Service coverage ratio stood moderate at 1.56 times as on 31st March, 2022. Net Cash Accruals/Total Debt (NCA/TD) stood low at 0.11 times as on 31st March, 2022. Acuité believes that going forward the financial risk profile of the company will remain moderate in absence of major debt funded capex plans.

Weaknesses

Modest scale of operations

SAIPL has a moderate scale of operations and has achieved revenues of Rs.14.40 Cr in FY2022 as compared to Rs.14.32 Cr in FY2021 backed by regular orders and execution. However, the company achieved revenues of Rs.5.69 Cr till December, 2022 (provisional). Acuité believes that, going forward, the ability of the company to increase its scale of operations will be a key sensitivity factor.

Fluctuations in the profitability margins

The operating margin of the company marginally reduced to 15.09 per cent in FY2022 as compared to 16.23 in FY2021 due to slight rise in the raw material costs. However, the PAT margin rose to 3.63 per cent in FY2022 as against 1.97 per cent in FY2021 due to reduction in the finance costs. Acuité believes that the company's capability to improve the profitability margins will be key monitorable.

Working capital intensive nature of operations

The working capital intensive nature of operations of the company is marked by high Gross Current Assets (GCA) of 495 days as on March 31, 2022 as against 371 days as on March 31, 2021. The high GCA days are on account of high debtor period which stood at 296 days as on March 31, 2022 as compared to 288 days as on 31st March 2021. However, the inventory period stood moderate at 73 days as on 31st March, 2022 against 65 days in the previous year. Going forward, Acuité believes that the working capital management of the company will remain at similar levels as evident from the moderate inventory levels and stretched collection mechanism over the medium term.

Rating Sensitivities

- Improvement in the scale of operations along with profitability margins
- Improvement in the financial risk profile
- Elongation in the working capital cycle

Material covenants

None

Liquidity position: Adequate

The company's liquidity is adequate marked by net cash accruals stood at Rs. 1.29 Cr as on March 31, 2022 as against long term debt repayment of Rs.0.50 Cr over the same period. The current ratio stood comfortable at 1.58 times as on March 31, 2022 as compared to 1.54 times as on March 31, 2021. The cash and bank balances of the company stood at Rs.0.30 Cr as on March 31, 2022 as compared to Rs. 0.07 Cr as on March 31, 2021. However, the working capital intensive nature of operations of the company is marked by Gross Current Assets (GCA) of 495 days as on March 31, 2022 as against 371 days as on March 31, 2021. Acuité believes that going forward the company will maintain adequate liquidity position due to

steady accruals.

Outlook: Stable

Acuité believes that the outlook of the company will remain 'Stable' over the medium term on account of the long track record of operations and the experienced management. The outlook may be revised to 'Positive' in case of significant growth in revenue while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the company's revenues or profit margins, or in case of deterioration in the company's financial risk profile or further elongation in its working capital cycle.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	14.40	14.32
PAT	Rs. Cr.	0.52	0.28
PAT Margin	(%)	3.63	1.97
Total Debt/Tangible Net Worth	Times	2.63	2.79
PBDIT/Interest	Times	2.38	1.81

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

CARE, vide its press release dated March 16, 2018 had denoted the rating of Shinghal Agri Industries Private Limited as '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>
- 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, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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
18 Oct 2022	Cash Credit	Long Term	1.50	ACUITE B+ (Issuer not co-operating*)
	Working Capital Term Loan	Long Term	0.56	ACUITE B+ (Issuer not co-operating*)
	Term Loan	Long Term	3.60	ACUITE B+ (Issuer not co-operating*)
	Bank Guarantee	Short Term	2.00	ACUITE A4 (Issuer not co-operating*)
	Proposed Bank Guarantee	Short Term	4.00	ACUITE A4 (Issuer not co-operating*)
	Proposed Bank Facility	Long Term	1.60	ACUITE B+ (Issuer not co-operating*)
02 Aug 2021	Bank Guarantee	Short Term	2.00	ACUITE A4 (Reaffirmed)
	Term Loan	Long Term	0.66	ACUITE B+ (Withdrawn)
	Term Loan	Long Term	3.60	ACUITE B+ Stable (Upgraded from ACUITE B Stable)
	Proposed Bank Guarantee	Short Term	4.00	ACUITE A4 (Assigned)
	Working Capital Term Loan	Long Term	0.56	ACUITE B+ Stable (Upgraded from ACUITE B Stable)
	Cash Credit	Long Term	1.50	ACUITE B+ Stable (Upgraded from ACUITE B Stable)
	Proposed Bank Facility	Long Term	1.60	ACUITE B+ Stable (Assigned)
22 May 2020	Cash Credit	Long Term	1.00	ACUITE B Stable (Upgraded from ACUITE B- Stable)
	Term Loan	Long Term	0.66	ACUITE B Stable (Upgraded from ACUITE B- Stable)
	Term Loan	Long Term	7.80	ACUITE B Stable (Upgraded from ACUITE B- Stable)
	Working Capital Term Loan	Long Term	2.80	ACUITE B Stable (Upgraded from ACUITE B- Stable)
	Bank Guarantee	Short Term	1.00	ACUITE A4 (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	13.26	ACUITE B+ Stable 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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