

Press Release

Shiv Prasad Enterprises

May 06, 2022

Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	1.97	ACUITE BB+ Stable Reaffirmed	-
Bank Loan Ratings	31.62	-	ACUITE A4+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	33.59	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of **'ACUITE BB+' (read as ACUITE Double B plus)** and short-term rating of **'ACUITE A4+' (read as ACUITE A four plus)** on the Rs. 33.59 crore bank facilities of Shiv Prasad Enterprises (SPE). The outlook is **'Stable'**.

Rating Rationale

The rating has been reaffirmed basis the improvement in operating performance in FY2022(Prov.) and moderate financial risk profile of Shiv Prasad Group. The Company's operating income stood at Rs.145.91 Cr in FY2022(Prov.) as against Rs.106.66 Cr in FY2021 and Rs.135.12 Cr in FY2020 . SPG' financial risk profile continues to remain moderate marked by moderate net worth, moderate gearing coupled with modest debt protection metrics and coverage indicators.

About the Company

SPE is a Mumbai based partnership firm established in the year 1993 by Mr. Kirti Patel and his family members. SPE caters primarily to export market. SPE is engaged in mercantile trading procuring timber from Burma and sells it in domestic as well as overseas markets such as Europe and Middle East.

About the Group

Mumbai based, Shiv Prasad Group (SPG) was established in 1975 by Mr. Kirti Patel and is currently being managed by his sons- Mr. Nilesh Kirti Patel and Mr. Nitin Kirti Patel. The group is engaged in merchant trading of timber- teak wood.

Analytical Approach

Acuite has considered the consolidated business and financial risk profile of Shree Shankar Vijay Timber Exports Private Limited (SVPL), Shiv Prasad Enterprises (SPE) and Shiv Prasad Eco Touchwood Private Limited (SPPL) to arrive at the rating. The three companies together, shall hereby be referred to as the 'Shiv Prasad Group' (SPG). The consolidation is in view of same business line, operational synergies, and common management. Extent of consolidation: Full.

Key Rating Drivers

Strengths

- **Extensive experience and established track record of operations**

SPG was established in 1982 by Mr. Kirti Patel and is currently being managed by his sons- Mr. Nilesh Kirti Patel and Mr. Nitin Kirti Patel. Mr. Nilesh has been a part of the group since 1994. All the promoters have experience of more than three decades in the timber trading industry and also look after the overall operations. The Group trades primarily in teak wood procured from Myanmar (Burma). The Group has established relationship with the suppliers in Myanmar (Burma) for giving SPG access to premium quality teak wood. The experience of the directors has helped the group maintain relationships with customers and suppliers. The Group has generated a revenue of Rs. 145.91 Cr in FY2022 (Prov.) as against Rs.106.66 Cr in FY2021 and Rs.135.12 Cr in FY2020.

Acuité believes the Group is expected to benefit from extensive experience of its promoters and established operational track record.

- **Moderate financial risk profile**

SPG has moderate financial risk profile marked by moderate net worth, moderate gearing and modest debt protection measures. The net worth stood at Rs. 22.88 crore as on March 31, 2022 (Provisional) as against Rs.21.30 crore as on March 31, 2021 and Rs.20.86 Cr as on March 31, 2020. The improvement is on account of accretion of profits to reserves. There is a withdrawal of capital of Rs. 0.50 Cr. in FY2021. The group' total debt of Rs.40.65 crore as on March 31, 2022(Prov.) (Rs.36.04 crore as on March 31, 2021) includes unsecured loans from promoters and directors of Rs.4.04 crore and short term debt of 36.62 crore . The group' overall gearing stood at 1.78 times as on March 31, 2022 (Prov.) as against 1.69 times as on March 31, 2021. The total outside liabilities to tangible net worth ratio stood at 1.80 times as on March 31, 2022 (Provisional) as against 1.72 times as on March, 2021 and 1.42 times as on March 31,2020. The Interest coverage ratio improved marginally to 1.40 times for FY2022 (Prov.) as against 1.37 times for FY2021 and 1.48 times for FY2020. The DSCR stood at 1.35 times for FY2022(Prov.) as against 1.29 times for FY2021 and 1.45 times for FY2020.

Acuité expects SPG's financial risk profile to remain moderate over the medium term in the absence of any major debt funded capex plan.

Weaknesses

- **Elongation in the working capital cycle**

SPG's operations are working capital intensive in nature marked by high Gross Current Assets (GCA) of 155 days as on March 31, 2022 (Prov) as against 189 days as on March 31,2021 The GCA days are driven by high debtor days. The debtor days stood at 132 days as on March 31, 2022 (Prov) as against 155 days as on March 31, 2021. The fund based working capital limits remain utilised at an average of 95% percent for last 6 months ending March ,2022. SPG pays its creditors either in advance or against delivery, hence no significant credit support is obtained from suppliers by the Group.

Acuité believes the Group's ability to restrict elongation in its working capital cycle will be a key rating.

- **Risk related with regulatory changes in domestic and foreign countries**

The imports of the group are exposed to risk related with different regulatory changes in domestic and foreign countries. The imports of the group are subject to import duty by the government of India. Any increase in the import duty may increase the cost of imports of the group. The imports of the group are also exposed to risk related with the changes in regulatory policies of exporting countries (suppliers). The ban in exporting countries could affect the business and financial risk of the group.

- **Competitive and fragmented nature of business**

The group is engaged in the trading of teak woods from countries Myanmar and the group is

selling teak woods to traders located in India and overseas. Further, the industry is marked by the presence of several medium to big size players. This affects the SPG pricing power and affects its profitability.

Rating Sensitivities

- Ability to restrict further elongation in working capital cycle will be key rating sensitivity.
- Ability to maintain stability in financial risk profile

Material covenants

None

Liquidity Position: Adequate

The group generated Net Cash Accruals (NCA) of Rs.1.05 Cr in FY2021 vis-à-vis no maturing debt obligations as the group does not have any long term debt in its capital structure. The cash accruals of the group are expected to remain in the range of Rs. 1.5-2 Cr. for the FY2022-23 period against no debt repayment obligations. The average utilisation of fund based working capital limits remained highly utilised at approximately 95 percent for the trailing 6 month period until March,2022, while the non-fund based facilities remain un-utilised as on 26/4/2022. The company maintained unencumbered cash and bank balances of Rs.5.95 crore as on March 31,2021 as against 3.15 crore in the previous year. In FY2022 (Prov.), the cash and bank balance stood at Rs. 5.08 Cr. The current ratio of the company stood at 1.66 times as on March 31, 2021 as against 1.79 in the previous year. In FY2022 (Prov.), the current ratio stood at 1.67 times.

Outlook: Stable

Acuité believes that SPG will maintain a 'Stable' outlook over the medium term owing to its experienced management and established track record of operations. The outlook may be revised to 'Positive' in case the group registers healthy improvement in operating risk profile while restricting working capital cycle elongation. Conversely, the outlook may be revised to 'Negative' in case of decline in revenue or profit margins, or further elongation of working capital cycle leading to increased dependency on bank borrowings deteriorating in the group's financial risk profile and liquidity position.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	106.66	135.12
PAT	Rs. Cr.	0.94	1.54
PAT Margin	(%)	0.88	1.14
Total Debt/Tangible Net Worth	Times	1.69	1.41
PBDIT/Interest	Times	1.37	1.48

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

CARE Ratings vide its press release dated May 8, 2020 has mentioned rating of SPE as 'CARE BB- /Stable/A4' Issuer not cooperating as on 08-May-2020.

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entitle: <https://www.acuite.in/view-rating-criteria-61.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
16 Feb 2021	Working Capital Term Loan	Long Term	1.97	ACUITE BB+ Stable (Assigned)
	Letter of Credit	Short Term	31.62	ACUITE A4+ (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Union Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	31.62	ACUITE A4+ Reaffirmed
Union Bank of India	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	1.97	ACUITE BB+ Stable Reaffirmed

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About Acuité Ratings & Research

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