



Press Release
Shiv Prasad Enterprises
October 17, 2024
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	7.59	ACUITE BB+ Stable Reaffirmed	-
Bank Loan Ratings	26.00	-	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Total Withdrawn Quantum (Rs.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**’.

Rationale for Reaffirmation

This rating reaffirmation considers the group's improved operating performance, characterized by an increase in operating income and stable profitability margins. The rating also benefits from the management's extensive experience. The group's operating income grew to Rs. 259.78 crore in FY2024 (provisional), up from Rs. 201.54 crore in FY2023. The operating margins remained stable at 4.07% in FY2024 (Prov.) and FY2023. The overall gearing levels improved to 0.92 times as on March 31, 2024 (provisional), compared to 3.08 times in the previous year. The improvement is primarily driven by lower utilization of fund based working capital limits as on March 31, 2024 (Prov.). The low utilization got set off by surge in outstanding payables balance. The group avails interchangeable non-fund based and fund based working capital limits. The trade creditors outstanding as on March 31, 2024(Prov.) surged to Rs.88.84 Cr. from Rs. 2.36 Cr. in previous year and are largely LC backed. The working capital cycle of the group is elongated marked by GCA days ranging between 155-170 days during the three years ended March 31, 2024 (Prov.). An improvement in working capital management is essential for enhancing the liquidity position of the group.

Going forward, the group's ability to enhance its working capital operations, manage risks associated with regulatory changes in both domestic and foreign markets, and navigate the competitive and fragmented nature of the industry while improving its scales of operations and profitability margins will be critical rating considerations.

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 Malaysia and other South East Asian countries and sells it in domestic as well as overseas markets such as Europe and Middle East.

About the Group

Shree Shankar Vijay Timber Exports Private Limited (SVPL) was incorporated by Mr Kirti Patel in 1975 in Mumbai. SVPL is engaged in the business of timber trading, primarily teakwood procured from Myanmar. SVPL caters primarily to export market. It acts as a mercantile trader procuring timber from Malaysia and other South East Asian countries and sells it in domestic as well as overseas markets such as Europe and Middle East.

Shiv Prasad Eco Touchwood Private Limited (SPPL) is a Mumbai based company incorporated by Mr Kirti Patel in 2007. SPPL is engaged in trading of teak round logs. SPPL caters primarily to export market. It acts as a mercantile trader procuring timber from Malaysia and other South East Asian countries and sells it in domestic as

well as overseas markets such as Europe and Middle East.

Unsupported Rating

Not Applicable

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuité 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.

Key Rating Drivers

Strengths

Extensive experience and established track record of operation

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 Malaysia and other South East Asian countries. The Group has established relationship with the suppliers in Malaysia and other south east asian countries 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.259.78 Cr. in FY2024 (Prov.) as against Rs.201.54 Cr. in FY2023.

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

Moderate Financial Risk Profile

Shiv Prasad Group has a moderate financial risk profile marked by moderate net worth, improved gearing and modest debt protection metrics. The group's tangible net worth stood marginally improved to Rs. 25.74 crore as of March 31, 2024 (Prov.) against Rs. 24.21 crore as of March 31, 2023, on account of accretion of profits to reserves. The company's gearing stood at 0.92 times as on March 31, 2024 (Prov.) as against 3.08 times as on March 31, 2023. The improvement is primarily driven by lower utilization of fund based working capital limits as on March 31, 2024 (Prov.). The group's total debt as on March 31, 2024 (Prov.) stood at Rs. 23.61 crore as compared to Rs. 74.53 crore as on March 31, 2023; comprising of long-term debt of Rs. 3.98 crore, short-term debt of Rs. 13.00 crore and Unsecured loans from promoters/directors of Rs. 6.64 crore. TOL/TNW stood at 4.38 times as on March 31, 2024 (Prov.). The interest coverage ratio of the group stood at 1.26 times in FY24 (Prov.) against 1.36 times in FY23. DSCR stood at 1.23 times in FY2024 (Prov.) against 1.30 times in FY2023.

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

Weaknesses

Intensive working capital operations

Shiv Prasad group has intensive working capital operations with average gross current asset (GCA) days standing over 165 days during FY22 to FY24. GCA days stood similarly at 169 days in FY2024 (Prov.) against 170 days in FY2023 due to decrease in inventory days. Inventory days decreased from 3 days in FY2023 to 2 days in FY2024 (Prov.). The debtor days stood at 164 days for FY24 (Prov.) against 159 days for FY23. The average credit period allowed to its customers is around 120 days. The creditor days of the group stood at 131 days for FY24 (Prov.) as against 4 days for FY23. The group avails interchangeable non-fund based and fund based working capital limits. The trade creditors outstanding as on March 31, 2024 (Prov.) surged to Rs.88.84 Cr. from Rs. 2.36 Cr. in previous year and are largely LC backed. The average open credit period allowed by the suppliers is around 0 to 30 days.

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

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 Malaysia and other south east asian countries 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.
- Ability to improve scale of operations and profitability while maintaining its capital structure

Liquidity Position Stretched

The liquidity position of the group is stretched marked by high bank limit utilization and elongated working capital cycle. The group's net cash accruals stood at Rs. 2.02 Cr. in FY2024(Prov.) and is expected to generate in the range of Rs.4.01 Cr. to Rs.4.99 Cr. for period FY2025- FY2026 against repayment obligation of Rs. 1.5-2.5 Cr. during the same period. The working capital operations of the group are intensively marked by its gross current asset (GCA) days of 169 days for FY2024 (Prov.) as against 170 days for FY2023. The average bank limit utilisation for 04 months period ended June 2024 stood at ~92.93 per cent for cash credit limits. The unencumbered cash and bank balances of the group stood lower at Rs. 0.15 Cr. as on March 31, 2024 (Prov.). The current ratio stood at 1.26 times as on March 31, 2024 (Prov.).

Acuité believes that going forward the ability of the Shiv Prasad group to improve its intensive working capital operations over the medium term will remain a key rating monitorable.

Outlook: Stable

Other Factors affecting Rating

None.

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	259.78	201.54
PAT	Rs. Cr.	1.93	1.75
PAT Margin	(%)	0.74	0.87
Total Debt/Tangible Net Worth	Times	0.92	3.08
PBDIT/Interest	Times	1.26	1.36

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

Not Applicable

Any Other Information

None.

Applicable Criteria

- 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>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entities: <https://www.acuite.in/view-rating-criteria-61.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
20 Jul 2023	Letter of Credit	Short Term	21.00	ACUITE A4+ (Reaffirmed)
	Working Capital Term Loan	Long Term	2.47	ACUITE BB+ Stable (Reaffirmed)
	Working Capital Demand Loan (WCDL)	Long Term	3.00	ACUITE BB+ Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	7.12	ACUITE BB+ Stable (Reaffirmed)
06 May 2022	Working Capital Term Loan	Long Term	1.97	ACUITE BB+ Stable (Reaffirmed)
	Letter of Credit	Short Term	31.62	ACUITE A4+ (Reaffirmed)
16 Feb 2021	Letter of Credit	Short Term	31.62	ACUITE A4+ (Assigned)
	Working Capital Term Loan	Long Term	1.97	ACUITE BB+ Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Union Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	26.00	Simple	ACUITE A4+ Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	2.12	Simple	ACUITE BB+ Stable Reaffirmed
Union Bank of India	Not avl. / Not appl.	Working Capital Demand Loan (WC DL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	4.00	Simple	ACUITE BB+ Stable Reaffirmed
Union Bank of India	Not avl. / Not appl.	Working Capital Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Dec 2026	1.47	Simple	ACUITE BB+ Stable Reaffirmed

*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)

Sr. No	Name of the companies
1	Shiv Prasad Eco Touchwood Private Limited
2	Shree Shankar Vijay Timber Exports Private Limited
3	Shiv Prasad Enterprises

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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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