



Press Release
SHEERA S CRYSTAL HOUSE
September 08, 2023
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	36.00	ACUITE BB- Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	36.00	-	-

Rating Rationale

ACUITE has assigned its long term rating of "**ACUITE BB-**"(read as **ACUITE double B minus**) on the bank facilities of Rs.36 Crore of SHEERA'S CRYSTAL HOUSE. The outlook is '**Stable**'.

Rationale for rating

The assigned rating derives its strength from the experienced management in the rice milling industry. Further, rating factors in top line achieved of Rs.74.99 Crore in FY23(Prov) against Rs.40.87 Crore in FY22. The rating also considers the support extended by promoters in form of unsecured loans to fund the capital expenditure in past year of setting up a rice milling unit which firm took over under auction. However, in FY23 no fresh term loan has taken which helped the firm to improve its gearing - to 3.40 times in FY23 (Prov) against 6.47 times in FY22. However, the above mentioned strengths are partly off-set by the working capital intensive nature of operations with GCA days of 176 days in FY23 against 280 days in FY22 and commodity price fluctuation.

About the Company

Sheera's Crystal House is a proprietorship concern of proprietor Mr. Avtar Singh s/o Sohan Singh based in Amritsar, Punjab. The firm was established on 01.03.2020 as a sole proprietorship firm and initially firm was only dealing in trading of rice & paddy & business operations commenced from September 2020. The procurement of Paddy for milling/processing/trading is done during harvesting season of paddy i.e. from mid-September to mid-January.

Analytical Approach

Acuite has considered the standalone financial and business risk profiles of SHEERA'S CRYSTAL HOUSE to arrive at the rating.

Key Rating Drivers

Strengths

Experienced Management

Sheeras Crystal House was incorporated in 2020 and is run by experienced management in the rice milling industry. Initially, the firm was involved in the trading of rice and firm has purchased rice milling unit under auction in FY22 and in FY23, the rice milling unit have been started with the installed production capacity of 12 tonnes per hour. The proprietor of the firm is Mr. Avtar Singh, with the expertise and experience in industry gained over the years by management, will help the firm to flourish in coming years. Acuite` believes that going ahead, the proprietor experience would continue to support the firm's growth.

Operational Performance

The company has achieved a turnover of Rs.74.99 Crore in FY23 (Prov) against Rs.40.87 Crore in FY22. Earlier in FY21, the company was involved into trading business which stood at

Rs.4.67 Crore in FY21. Further, the company purchased rice mill unit on 31-03-2021 of which renovation had been completed in October 2021 and from October 2021 onwards, the sales were contributed by production as well. Also, actual production increased in FY23 as compared to FY22. Further, the EBITDA Margins of the company stood at 4.19% in FY23(Prov) against 4.32% in FY22. Further, the PAT margins of the company stood at 0.14% in FY23(Prov) against -0.24% in FY22. Going forward, the company is expected to achieve a turnover of more than 100 Crore approximately on the back of additional order book of Rs.30 Crore-Rs.40 Crore and increase in the existing capacity will also contribute in the top-line of the company.

Weaknesses

Working Capital Intensive Operations

The working capital operations of the company is intensive marked by GCA days which stood at 176 days as on 31st march 2023(Prov) against 280 days as on 31st March 2022. The GCA days are higher on the back of inventory days which stood at 152 days as on 31st march 2023(Prov) against 253 days as on 31st march 2022 as company faced – difficulties with unsold inventory which resulted into high inventory period. Further, company maintains average raw materials for five to six months. Also, the debtor days of the company stood at 22 days as on 31st March 2023 (Prov) against 24 days as on 31st March 2022. On the other hand, the creditor days of the company stood at 3 days as on 31st March 2023(Prov) against 1 day as on 31st March 2022.

Below average Financial Risk Profile

The financial risk profile of the company is below average marked by net-worth of Rs.10.92 Crore as on 31st march 2023(Prov) against Rs.5.99 Crore as on 31st march 2022. The total debt of the company stood at Rs.37.16 Crore as on 31st March 2023 (Prov) against Rs.38.72 Crore as on 31st march 2022. The Unsecured loans of the company from promoters which stood at Rs.2.85 Crore as on 31st March 2023(Prov) against Rs.15.33 Crore as on 31st March 2022 is non-interest bearing. The promoters of the company extended their support to fund the capital expenditure. Further, the gearing ratio of the company stood at 3.40 times as on 31st March 2023(Prov) against 6.47 Crore as on 31st March 2022. The interest coverage ratio and debt service coverage ratio of the company stood at 1.62 times and 1.62 times respectively as on 31st March 2023 (Prov) against 1.37 times and 1.37 times respectively as on 31st March 2022. The TOL/TNW ratio of the company stood at 3.45 times as on 31st March 2023 (Prov) against 6.49 time as on 31st March 2022. Acuité believes that the financial risk profile of the company will - remain same on account of company's plan for additional short term limits and high reliance towards short term borrowings over the medium term.

Commodity price fluctuation

Paddy, the main raw material required for rice is a seasonal crop and production of the same is highly dependent upon monsoon season. Environmental factors, sound fertility of soil and seasonal monsoon control the output of the paddy cultivation affecting the demand supply dynamics of basmati/non-basmati rice year-on-year resulting in price flux. Furthermore, paddy price is largely dependent on several external factors like domestic demand outlook, international trade regulations and domestic productions. This exposes the company to the risk related with fluctuation in raw material price.

Rating Sensitivities

- Improvement in the operating performance and profitability margins.
- Deterioration in working capital cycle and financial risk profile.

All Covenants

- DER following any disbursement to not exceed the Project DER.
- The financial covenants shall be tested on an annual basis from the financial year in which the principal repayment commences. It should be ensured that FACR/DER/CR/TOL

to TNW/DSCR are maintained as projected.

- Non maintenance of financial covenants will attract penal charges if sanctioned as per approval note.
- Bank shall compare financials submitted by the borrower to the bank with the financials submitted to ROC. Any variation shall be treated as misrepresentation to the bank.

Liquidity Position

Stretched

The Liquidity position of the company is stretched. The company has generated net cash accruals of Rs.1.21 Crore in FY23 (Prov) against the debt repayment obligations of Rs.1.15 Crore. Going forward, the company is expected to generate sufficient net cash accruals which will be enough to repay the debt obligation for the same period in near future. The average bank limit utilization of the firm stood at 62.57% in last 12 months ending June 2023.

Outlook: Stable

Acuite believes that firm will continue to benefit over the medium term due to its experienced management and favourable demand for rice. The outlook may be revised to 'Positive', if the company demonstrates substantial growth in its revenues and operating margins from the current levels while maintaining / improving its working capital operation. Conversely, the outlook may be revised to 'Negative', if company generates lower-than anticipated Operating income, profitability margins or further stretch in its working capital cycle there by impacting its financial risk profile, particularly its liquidity.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	74.99	40.87
PAT	Rs. Cr.	0.10	(0.10)
PAT Margin	(%)	0.14	(0.24)
Total Debt/Tangible Net Worth	Times	3.40	6.47
PBDIT/Interest	Times	1.62	1.37

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

None

Any other information

Not applicable.

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector:- <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, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite'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 :

None

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	30.00	ACUITE BB- Stable Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	0.62	ACUITE BB- Stable Assigned
Union Bank of India	Not Applicable	Term Loan	30 Sep 2021	8.5	29 Feb 2028	Simple	5.38	ACUITE BB- Stable Assigned

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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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