



Press Release
Sheeras Crystal House
December 05, 2024
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	36.00	ACUITE BB- Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	36.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

ACUITE has reaffirmed 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 rating reaffirmation factors extensive experience of the promoters in rice-milling business, stable scale of operations and profitability along with favourable demand for rice. However, the rating is constrained by below average financial risk profile, intensive working capital management and fragmented industry affected by agro-climatic risks.

About the Company

Sheera's Crystal House is a proprietorship concern of Mr. Avtar 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.

Unsupported Rating

Not applicable

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

Sheera's 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 and in FY24 it has increased to 15 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.

Augmentation in scale of operations and Profitability

The firm has achieved a turnover of Rs.80.29 Crore in FY24 against Rs.74.99 Crore in FY23. This increase in revenue of the firm during the FY24 is on account of increase in volume sales, despite a decline in price realization. Further, the EBITDA margins of the firm stood at 5.69% in FY24 against 4.17% in FY23 and the PAT margins of the firm stood at 0.18% in FY24 against 0.14% in FY23.

Going forward, Acuité believes that the ability of the firm to maintain its scale of operations and improve in profitability margins will going to remain a key monitorable over the medium term.

Weaknesses

Below Average Financial Risk Profile

The financial risk profile of the firm is below average marked by net-worth of Rs.10.97 Crore as on 31st March 2024 against Rs.10.92 Crore as on 31st March 2023. The total debt of the firm stood at Rs.62.87 Crore as on 31st March 2024 against Rs.37.35 Crore as on 31st March 2023. The non-interest bearing unsecured loans has also increased which stood at Rs.14.86 Crore as on 31st March 2024 against Rs.2.85 Crore as on 31st March 2023. Further, the gearing ratio of the firm increased and stood at 5.73 times as on 31st March 2024 as against 3.42 times as on 31st March 2023. The increase in gearing is due to increase in the debt levels of the firm by availing funds in form of term loan facilities, enhancement in cash credit facility and unsecured loans. The interest coverage ratio and debt service coverage ratio of the firm stood at 1.45 times and 1.06 times respectively as on 31st March 2024 against 1.62 times and 1.02 times respectively as on 31st March 2023.

The TOL/TNW ratio of the firm stood high at 5.90 times as on 31st March 2024 against 3.63 times as on 31st March 2023 due to the high levels of debts availed by the firm as against stable net worth of the firm.

Acuite believes that financial risk profile of the firm may improve in near future as no further capex is expected over the near to medium term.

Working Capital Intensive Operations

The working capital operations of the firm is intensive marked by GCA days which stood at 279 days as on 31st March 2024 against 185 days as on 31st March 2023. The GCA days are higher on the back of inventory days which stood at 274 days as on 31st March 2024 against 154 days as on 31st March 2023 as firm faced crisis with unsold inventory which resulted into high inventory period. Further, firm maintains average raw materials for five to six months. Also, the debtor days of the firm improved and stood at 11 days as on 31st March 2024 against 29 days as on 31st March 2023. On the other hand, the creditor days of the firm stood at 8 days as on 31st March 2024 against 12 days as on 31st March 2023.

Acuite believes that the working capital operations of the firm will remain at same level as evident from movement in the inventory period.

Commodity price fluctuations

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

- Movement in the scale of operation while sustainability its profitability margin
- Movement in working capital cycle and financial risk profile.

Liquidity Position

Stretched

The liquidity position of the firm is stretched. The firm has generated net cash accruals of Rs.1.42 Crore in FY24 against the debt repayment obligations of Rs.1.15 Crore. The incremental requirement to fund the debt obligation timely is met by unsecured loan from the promoters. The current ratio of the firm stood at 1.38 times as on 31st March 2024 against 1.18 times as on 31st March 2023. The average bank limit utilization of the firm stood at 85.86% in last 8 months ending October 2024.

Acuite believes that the liquidity of the firm is likely to be improved over the medium term on account of improvement in cash accruals against the long debt repayments over the medium term.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	80.29	74.99
PAT	Rs. Cr.	0.15	0.10
PAT Margin	(%)	0.18	0.14
Total Debt/Tangible Net Worth	Times	5.73	3.42
PBDIT/Interest	Times	1.45	1.62

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

Not applicable

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
08 Sep 2023	Cash Credit	Long Term	30.00	ACUITE BB- Stable (Assigned)
	Term Loan	Long Term	5.38	ACUITE BB- Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	0.62	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.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	30.00	Simple	ACUITE BB- Stable Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	0.12	Simple	ACUITE BB- Stable Reaffirmed
Union Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Nov 2030	1.25	Simple	ACUITE BB- Stable Reaffirmed
Union Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Nov 2030	0.78	Simple	ACUITE BB- Stable Reaffirmed
Union Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Sep 2028	3.85	Simple	ACUITE BB- Stable Reaffirmed

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