



Infomerics Valuation And Rating Pvt. Ltd.

Press Release

Shah Nanji Nagasi Exports Private Limited

January 20, 2020

Rating

Instrument / Facility	Amount (Rs. crore)	Rating	Rating Action
Long Term Fund Based Facilities- Cash credit/ Packing credit	70.00	IVR BB+ / Stable Outlook (IVR Double B Plus with Stable Outlook)	Reaffirmed
Total	70.00		

Details of Facilities are in Annexure 1

Detailed Rationale

The aforesaid rating assigned to the bank facilities of Shah Nanji Nagasi Exports Private Limited (SNNEPL) continues to derive comfort from its experienced promoters, diversified product portfolio, reputed clientele and supplier base. Improvement in financial performance in FY19 as compared to FY18 also support the rating. However, the rating is constrained by its range bound margins, high gearing, intense competition and exposure to government policies.

Key Rating Sensitivities

Upward factors

- Procurement of new orders providing medium to long term revenue visibility along with a substantial and sustained improvement in the revenue while maintaining the debt protection metrics and improvement in the EBITDA margin.

Downward factors

- Any decline in the revenue leading to deterioration in the debt protection metrics and/or plunge in profitability of the company.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters

SNNEPL has presence of over nine decades and has established itself well in trading of Agro-commodities. The current Director of the company, Mr. Sudhir Shah and his son Mr.



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Ashwin Shah are in this business for over four and two decades respectively. The directors are ably supported by a team of qualified and experienced professionals.

Diversified product portfolio

SNNEPL is engaged in export trading of non-basmati Rice, corn starch, oil seeds and other food grains. The company is also engaged in import of Popcorn and selling it in local market under its brand. Thus, the company is able to cater to different type of customers.

Established clientele and supplier base

SNNEPL has a strong marketing network and sells its products in different regions of the country throughout the year. Further, SNNEPL's overseas market constitutes USA, Middle East, Europe and Africa. The top 10 clients accounted for 45.30% of total sales in FY19 indicating a diversified customer base. Company also has a wide supplier base with long term business relation. The top 10 suppliers accounted for 22.67% of raw material purchases in FY19 indicating less dependence on any particular supplier.

Improvement in financial performance in FY19 albeit range bound margins

Total operating income witnessed a year-on-year growth of ~4% in FY19 as compared to FY18 due to increase in export sales of non-basmati rice, both in terms of volume as well as sales realisation which constitutes ~80% of total sales of the company in FY19. The increase in export sale of non-basmati rice in FY19 was also due to the fact that non-basmati rice items was made eligible for MEIS benefits at the rate of 5% for exports made with effect from November 26, 2018 and up to March 25, 2019. This also resulted in increase in export incentives in FY19 over FY18. The EBITDA margin though increased marginally from 2.17% in FY18 to 2.46% in FY19, yet remained range bound owing to its trading nature of operations. Consequently, PBT margin and PAT margin also increased marginally from 0.39% and 0.25% respectively in FY18 to 0.42% and 0.28% respectively in FY19. The company achieved a turnover of Rs.217.00 crore in H1FY20 with PAT of Rs.2.36 crore.

Key Rating Weaknesses

High gearing levels

The company's debt profile consists of short term unsecured loans and working capital limits. The overall gearing though improved from 3.84x as on March 31, 2018 to 2.80x as on March 31, 2019, yet remained high. Interest coverage ratio deteriorated from 1.35x in FY18 to 1.23x



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in FY19 due to rise in interest cost in FY19 on account of increase in working capital utilization in FY19 as compared to FY18. Total debt to GCA remained high at 32.54x in FY19 (43.34x in FY18).

Intense competition in Food Processing Industry and high volatility in agro commodities

The food processing industry is characterised by stiff competition with presence of large number of unorganised players. This puts pressure on the margins of the organised players. The raw materials which consist of 75% of the total cost are susceptible to fluctuations in production due to vagaries of nature primarily monsoon.

Exposure to government policies

SNNEPL, like other players in the agro-commodity business, remains exposed to changes in the legal and regulatory environment such as revision of tax rates, changes in import duty, restriction on import of pulses etc.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Trading Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity – Adequate

Liquidity is adequate marked by a GCA of Rs.1.69 crores in FY19. Since, the company does not have any long term debt, hence it does not have any repayment obligation in the near term. Current ratio was comfortable at 1.19x as on March 31, 2019. The average working capital utilisation was ~76% for the past twelve months ended December 31, 2019 indicating an adequate liquidity buffer.

About the Company

Shah Nanji Nagasi Exports Private Limited (SNNEPL) was initially started in November 1919 as a proprietorship concern by Late Mr. Nagasi Hirji Shah at Anaz Bazar, Itwari, Nagpur, Maharashtra, India. The firm was reconstituted as a private limited company on May 20, 1997. The company is majorly engaged in export trading of non-basmati Rice (constituting

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70-80% of the company's total revenue), corn starch, oil seeds and other food grains. The company also imports popcorn and pulses and sells it in the local market under its brand. SNNEPL is a Two Star Trading House recognized by the Government of India.

The operations of the company is currently managed by Mr. Sudhir Shah, Mr. Ashwin Shah, Mr. Javan Shah, Ms. Snehal Modi and Mr Rajesh Chedda in the capacity of directors of the company.

Financials (Standalone):

	(Rs. crore)	
For the year ended* / As On	31-03-2018	31-03-2019
	Audited	Audited
Total Operating Income	372.25	386.99
EBITDA	8.09	9.53
PAT	0.92	1.07
Total Debt	71.63	55.00
Tangible Net worth	18.64	19.61
EBITDA Margin (%)	2.17	2.46
PAT Margin (%)	0.25	0.28
Overall Gearing Ratio (x)	3.84	2.80

Status of non-cooperation with previous CRA:

Acuite Ratings has moved the rating of SNNEPL into the Issuer Non-Cooperating category as the company did not co-operate in the rating procedure despite repeated follow ups as per the Press Release dated December 26, 2019.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17
1.	Long Term Fund Based Limits – Packing credit/ Cash credit	Long Term	70.00	IVR BB+ / Stable Outlook	IVR BB+ / Stable Outlook (December 26, 2018)	-	-



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Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

Name and Contact Details of the Rating Analyst:

Name: Ms. Harshita Didwania	Name: Mr. Avik Podder
Tel: (033) 46022266	Tel: (033) 46022266
Email: hdidwania@infomerics.com	Email: apodder@infomerics.com

About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities –Cash Credit/ Packing credit	-	-	-	70.00	IVR BB+ /Stable Outlook