



Press Release

Shah Nanji Nagasi Exports Private Limited

May 05, 2021

Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action
Long Term Bank Facilities	(70.00)	-	Reclassified to Long term/Short Term bank facilities and Short-Term Bank Facilities and Removed from INC
Long Term/ Short Term Bank Facilities	15.00	IVR BB+/Stable (IVR Double B Plus with Stable Outlook)/ IVR A4+ (IVR A Four Plus)	Reclassified, Reaffirmed & Removed from INC
Short Term Bank Facilities	55.00	IVR A4+ (IVR A Four Plus)	Reclassified, Reaffirmed & Removed from INC
Total	70.00		

Details of Facilities are in Annexure 1.

Detailed Rationale

The ratings assigned to the bank facilities of Shah Nanji Nagasi Exports Pvt Ltd. continues to derive comfort from the long-standing experience of the promoters in the agro food products business, Sustainable demand for agro food products, established clientele and supplier base and expected improvement in debt metrics. The company has recently sold its rice business at an attractive valuation, the proceeds of this sellout have been deployed completely in the residual business. However, these rating strengths are offset by Limited value add business resulting in modest operating margins, Intense competition in food processing industry and high price volatility in agro-commodities and Exposure to regulatory changes, susceptibility to forex movements.

Key Rating Sensitivities:

Upward factors

- Scale up of popcorn, pulses business with substantial improvement in profitability on a sustained basis
- Comfortable gearing levels and coverage indicators on a sustained basis



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Downward factors

- Substantial deterioration in profitability of the company than envisaged.
- Significant availment of debt exerting substantial pressure on the credit metrics
- Deterioration in liquidity

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters in the agro commodities business

The company in its over nine decades of existence has established itself in trading of Agro-commodities particularly, rice, pulses and popcorn segments. Post the exit of the rice business in FY2021, the company intends to leverage this setup to expand the residual pulses and the popcorn trading business. Currently, Mr. Sudhir Shah and his son Mr. Ashwin Shah having an experience of four and two decades respectively are involved in day-to-day affairs ably supported by a team of qualified and experienced professionals.

Sustainable demand for agro food products

Agro food products across categories command a sustainable demand which also has been evidenced by the sustained revenue growth in the period FY2018 to FY2020. Total operating income witnessed a year-on-year growth of 6.72% in FY2020 as compared to FY2019. The company deals in pulses, popcorn and other products. Though revenues will decline in FY2022 due to exit from rice business which earlier contributed more 80% share in the revenues, this demand sustenance for agro products is likely to drive growth in the coming fiscals.

Established clientele and supplier base

SNNEPL has a strong marketing network and sells its products in across the country particularly non rice products. Further, SNNEPL's overseas market constitutes USA, Middle East, Europe and Africa. Alternatively, the company also has a wide supplier



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base for its products dealt. SNNEPL plans to build on this established grid for the now dealt pulses, popcorn and other products. The company is also planning to brand its popcorn products in line with the pulses to create a distinct market presence.

Expected improvement in debt metrics given the plough back of proceeds from the sale of rice business, no term borrowings planned

The company has planned to retain the proceeds of the rice division sales in the business. Given the attractive valuations fetched, the debt metrics are likely to improve with gearing remaining below unity beginning FY2021 with interest coverage remaining above 3.5 times in the near term as compared to gearing of 2.46 times in FY2020 and interest coverage of 2.11 times. Further, the favourable operating cycle and no term borrowings in near term is expected alleviate the pressure on the debt metrics. The sustenance of these metrics will be a key monitorable.

Key Rating Weaknesses

Limited value add business resulting in modest operating margins

The company's operating margins have historically remained low albeit given the limited value add nature of the operations. Though relatively the operating margins are expected to improve with focus on pulses sorting and packaging as also the popcorn trading business, still overall they are expected to remain around 6 -7%, going forward.

Intense competition in food processing industry and high price volatility in agro-commodities.

The food processing industry is characterised by stiff competition from presence of large number of unorganised players which puts pressure on the margins of the organised players. Given the criticality of the raw material price movements especially in a low value add business, managing the same and its impact on the margins will be a monitorable, going forward.



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Exposure to regulatory changes, susceptibility to forex movements

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. The company margins remain susceptible to forex movements given the import of pulses; however, the company has managed the same in the past through hedging practices.

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.4.19 crores in FY20. GCA of the company is likely to remain comfortable over the projected period vis-à-vis no debt repayment obligations. Further, the average working capital utilisation remained satisfactory at ~63% for the past twelve months ended January 31, 2020 indicating an adequate liquidity buffer.

About the Company

Shah Nanji Nagsi Exports Private Limited (SNNEPL) was initially started in November 1919 as a proprietorship concern by Late Mr. Nagsi Hirji Shah at Anaz Bazar, Itwari, Nagpur, Maharashtra, India. The firm was reconstituted as a private limited company on May 20, 1997. The company was majorly engaged in export trading of non-basmati Rice however the company has recently sold its rice division. The company will now only focus on imports popcorn and pulses and sell it in the local market under its brand. SNNEPL is a Two Star Trading House recognized by the Government of India. The operation of the company is currently managed by Mr. Sudhir Shah, Mr. Ashwin Shah & Mr. Javan Shah in the capacity of directors of the company.



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Financials (Standalone):

(Rs. crore)

For the year ended* / As On	31-03-2019	31-03-2020
	Audited	Audited
Total Operating Income	386.98	412.99
EBITDA	9.54	10.35
PAT	1.07	2.98
Total Debt	55.00	54.86
Tangible Net worth	19.45	22.35
EBITDA Margin (%)	2.47	2.51
PAT Margin (%)	0.28	0.72
Overall Gearing Ratio (x)	2.83	2.46

*As per Infomerics' Standard

Status of non-cooperation with previous CRA: NIL

Any other information: Nil

Rating History for last three years with Infomerics:

Sr. No.	Name of Facilities	Current Rating (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Packing Credit/Cash Credit	Long Term/Short Term	15.00	IVR BB+/Stable/A4+ (Reclassified from Long Term to Long Term/Short Term)	IVR BB+/INC (19.04.2021)		IVR BB+/Stable (20.01.2020)
2.	Packing Credit	Short Term	55.00	IVR A4+ (Reclassified from Long Term to Short Term)			

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.

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About Infomerics:



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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 / Short Term Bank Facilities – Cash Credit/Packing Credit	-	-	-	15.00	IVR BB+/Stable/A4+
Short Term Bank Facilities – Packing Credit	-	-	-	55.00	IVR A4+